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*Resource Nationalism in the Persian Gulf:  
Iran, Saudi Arabia, and the United Arab Emirates*

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PhD

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2014

**Abstract:**

Natural resources have long been associated with strategic benefits and the potential to generate impressive economic wealth. Consequently, scarce and exhaustible natural resources have been moreover coveted given the prospects for even greater gains. However, competition over ownership rights to reserves can lead to tensions as well as conflict. Resource nationalism has been described as the case in which governments and/or ethnic groups lay claim to natural resources located within territorial boundaries for the purposes of ownership and control. This thesis examines the impact of resource nationalism on international relations and the shaping of geopolitics using the Persian Gulf countries of Iran, Saudi Arabia, and the United Arab Emirates as case studies. It employs a multi-faceted approach in which components of resource nationalism are identified and expounded. The materials of focus are oil and gas, both of which are present across Persian Gulf region and are the primary generators of revenue for each case study.

The thesis explores the dynamics of resource nationalism through various interpretations and manifestations, demonstrating its utilization in Iran, Saudi Arabia, and the United Arab Emirates. Additionally, derivations of respective implementations are reviewed such as economic entities and militarization. In this vein, existing and developing ethnic tensions are also assessed. Afterwards, further unexplored and unidentified usages of resource nationalism are additionally covered. The research concludes by providing conceptual solutions for the shortcomings of resource nationalism framework, recommendations for tactical management of deficiencies, and prospects for proliferation.



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## Abbreviations:

AA	Anti-aircraft
AAA	Anti-aircraft artillery
ADCOP	Abu Dhabi Crude Oil Pipeline
ADIA	Abu Dhabi Investment Authority
ADIC	Abu Dhabi Investment Council
ADMA	Abu Dhabi Marine Areas Limited
ADNOC	Abu Dhabi National Oil Company
AERI	Atomic Energy Research Institute
AIOC	Anglo-Iranian Oil Company
APOC	Anglo-Persian Oil Company
Aramco	Arabian-American Oil Company (Saudi Aramco)
AShM	Anti-ship missile
bb1	Barrels
BCM	Billion cubic meters
BLA	Baluch Liberation Army
BMD	Ballistic missile defence
BP	British Petroleum
bpd	Barrels per day
CALTEX	California Texas Oil Company
CASOC	California Arabian Standard Oil Company
CCASG	Cooperation Council for the Arab States of the Gulf
CEO	Chief executive officer
CIA	Central Intelligence Agency
CSIS	Centre for Strategic and International Studies
cu	Cubic
DIO	Defence Industries Organisation
DPC	Dubai Petroleum Company
DRC	Democratic Republic of the Congo
DUBAL	Dubai Aluminium
EGA	Emirates Global Aluminium

EIA	Emirates Investment Authority
ENOC	Emirates National Oil Company
GBP	Pound sterling
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GMU	Gulf Monetary Union
HDI	Human Development Index
HESA	Iranian Aircraft Manufacturing Industrial Complex
IAD	Invest Abu Dhabi
ICD	Investment Corporation of Dubai
IDEX	International Defence Exhibition
IHO	International Hydrographic Organisation
IISS	International Institute for Strategic Studies
IKR	Iraqi Kurdish Region
IMF	International Monetary Fund
IOC	International Oil Company
IPIC	International Petroleum Investment Company
IRBM	Intermediate-range ballistic missile
ISA	Iranian Space Agency
IWG	International Working Group
JOA	Joint Operating Agreement
KIA	Kuwait Investment Authority
km	Kilometres
KMG	KazMunaiGaz
KRG	Kurdistan Regional Government
LNG	Liquefied natural gas
m	Meters
mbpd	Million barrels per day
MDC	Mubadala Development Company
mm	Millimetres
MOU	Memorandum of Understanding

MPLA	Popular Movement for the Liberation of Angola
MRBM	Medium-range ballistic missile
NATO	North Atlantic Treaty Organisation
NDF	National Development Fund
NGL	Natural gas liquids
NGO	Non-governmental organisation
NICO	Naftiran Intertrade Company
NIOC	National Iranian Oil Company
NITC	National Iranian Tanker Company
NOC	National Oil Company
NTI	Nuclear Threat Initiative
OECD	Organisation for Economic Cooperation and Development
OPEC	Organisation of Petroleum Exporting Countries
PDTC	Petroleum Development Trucial Coast
PDVSA	Petróleos de Venezuela, S.A.
PIF	Public Investment Fund
PJAK	Free Life Party of Kurdistan
PMSC	Private Military and Security Company
ppp	Purchasing Power Parity
PSA	Production Sharing Agreement
PSDF	Peninsula Shield Force
PSF	Permanent School Fund
PTSD	Posttraumatic Stress Disorder
PUF	Permanent University Fund
QIA	Qatar Investment Authority
R2	Reflex Responses
RIA	Ras Al Khaimah Investment Authority
RUF	Revolutionary United Front
SAM	Surface-to-air missile
SAMA	Saudi Arabian Monetary Agency
SIPRI	Stockholm International Peace Research Institute

SOCAL	Standard Oil of California
SOCAR	State Oil Company of Azerbaijan Republic
SRBM	Short-range ballistic missile
SSR	Soviet Socialist Republic
SWAPO	South-West Africa People's Organisation
SWF	Sovereign Wealth Fund
Tapline	Trans-Arabian Pipeline
THAAD	Terminal High Altitude Area Defence
TPC	Turkish Petroleum Company
UAE	United Arab Emirates
UAV	Unmanned aerial vehicle
UK	United Kingdom
UN	United Nations
UNITA	National Union for the Total Independence of Angola
UNSC	United Nations Security Council
US(A)	United States (of America)
USD	United States dollars
USSR	Union of Soviet Socialist Republics



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## *Introduction*

Situated at the crossroads of Europe, Africa, and Asia, the Middle East has historically been a strategic area that has been vied for over centuries by competing powers. In modern history, the region had been traditionally dominated by the Ottoman and Persian Empires until the arrival of colonial European powers. With the influx of novel players to the pivotal constituency, a new set of authorities were to extend their influence into the region. External dominance loomed against the backdrop of the decline in supremacy of the formerly vigorous domestic Middle Eastern empires, which also coincided with stagnating economies that were unable to compete with the flourishing ones of Europe. Moreover, intense competition between European powers for the expansion of their territories in the Middle East further served as a catalyst to not only the demise of the Ottomans and Persians but also the changing of the political landscape in the region. The Persian Gulf region in particular had been affected and throughout history had witnessed dramatic rises and gradual ebbs of empires that once maintained boundaries along its shores. At the time of withdrawal from the Middle East by the Europeans, the Persian Gulf found itself with a very different set of states than prior to colonization. The newly reshaped Persian Gulf eventually found itself to include Iraq, Kuwait, Qatar, Bahrain, Saudi Arabia, the United Arab Emirates (UAE), and Oman as allocating nations opposite the traditional littoral state of Iran. Despite the formation of the new states in the region, the Persian Gulf had already been host to a variety of ethnicities and histories as well as being endowed with coveted natural resources; including pearl-producing oysters (Davidson 2005: 5-6), fishing grounds (Ibid), date palming estates (Ibid), oil<sup>1</sup>, gas (Ibid), and even water as a potential source of wealth<sup>2</sup>. The strategic waterway is moreover significant since it provides tactical access to the historic Tigris and Euphrates rivers, the Strait of Hormuz, and to the rest of the world past the Arabian Sea. Indeed, the Persian Gulf can be viewed as an attractive interaction of wealth and diversity, however, ethnic variability and an abundance of natural resources can potentially be a budding dilemma.

Ethnic tensions have long been associated with the presence of natural resources. At times, the strains build to such an extent that it eventually leads to violence, with resources evidently at the core of the conflict. Given the diversity of the Persian Gulf and that it is a

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<sup>1</sup> See Bridge, G. and Le Billion, P. (2013) *Oil*. Cambridge: Polity Press.

<sup>2</sup> See Feldman, D.L. (2013). *Water*. Cambridge: Polity Press.

congregation point for a variety of ethnic groups in tandem with natural resources being present the region does not seem to be exception to a possible connection between ethnic tensions and natural resources. However, the causal links between resources and conflict are not always clear (O'Lear in Le Billon *ed.*, 2005: 162). Moreover, it has never been established if there are any direct correlations between ethnic tensions and natural resources in any scenario.

There are different theoretical frameworks that have been utilized to illustrate and investigate the associations between ethnic tensions and natural resources. One of such framework would be that of resource nationalism. In general terms, it is the case in which governments and/or ethnic groups lay claim to natural resources located in their territory for the purpose of ownership and control (Nurmakov in Overland, Kjaernet, and Kendall-Taylor 2010: 20 – 21). It is expected to have a role in ethnic tensions if there is a conflict of interests over the rights to the natural resources. Resource nationalism frequently involves governments implementing policies and using private actors in order to increase their control over the natural resources (Ibid: 20 – 21). The materials of focus for the policy depend on geography and in the case of the Persian Gulf region oil and gas often become the resources of attention given the considerable status it has due to its scarcity, demand, and centrality to the functioning of many states as well as being a common focal point for conflict. For economic reasons, peak oil has additionally driven many states to seize control of fossil fuel reserves as it is the point in which the maximum global rate of petroleum extraction is reached, after which there is a decline<sup>3</sup>. Resource nationalism has been implemented in many countries throughout the world, including the littoral states of the Persian Gulf. Notable instances include Saudi Arabia and the United Arab Emirates from the Arabian Peninsula as well as Iran. Occupying one of the most important regions in the world for the exportation of natural resources, such as oil and gas, policies of resource management becomes increasingly important in these states. With the mounting demands for such commodities and the availability of such resources becoming increasingly scarce<sup>4</sup>, the international system is competing with more ferocity than before for the maximum potential possession of natural resources. Therefore, possession of reserves is a key and important interest to governments. However, claims to resources are not always clear-cut issues

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<sup>3</sup> (No Author Indicated). "Exploring Hydrocarbon Depletion". Available online: <http://peakoil.com/what-is-peak-oil/> (Last retrieved: May 25, 2014).

<sup>4</sup> The demand for oil, for example, is expected to grow at an average of about 2% per year in the next 20 years, but some pessimistic predictions suggest that maximum global oil production will be reached by as early as 2010 (Le Billon 2005: 8)

and can create the grounds for tensions, especially if there are different ethnic groups that are drawn into competing for resources. Since the Persian Gulf is host to many different ethnicities, there are numerous themes that arise when coupling the inhabitants with the resource-rich environment<sup>5</sup>. Indeed, the region has been established as a diverse energy producing area and will certainly maintain this essential role in the future.

While there is a vast amount of literature concerning the resource sectors of Middle Eastern energy superpowers such as Saudi Arabia, the UAE, and Iran, the issue of resource nationalism has not yet been addressed. There appears to be a missing gap in academic research in this respect. Therefore, in an effort to bridge this void, the project will investigate resource nationalism in the Persian Gulf region using the three countries as case studies. All three states are fascinating and comparable cases with diverse populations of varying ethnic and linguistic backgrounds. Moreover, it would be beneficial to analyse the three countries since all have implemented some interpretation of resource nationalism as a state policy. Further discussion of selecting such countries for the study will be reviewed in the subsequent chapter.

### ***Objectives of the Study:***

The study will be conducted in an effort to contribute to the progression of knowledge and academia, will challenge conventional norms, and set forth novel insight. Resource nationalism given its varied understandings all conforms to an apparent consensus that the framework is simple and basic in any of its forms. However, resource nationalism is far the antithesis of such an observation. Hence, the main hypothesis of the project would be that resource nationalism is far more complex than its superficial understandings and has extensive impact for its utilization; it also has the potential to influence issues outside of its described boundaries that can impact international relations.

The project will naturally have a series of arguments supporting my position and views, therefore, questions that will be answered along the course of the project will include the following:

1. How has resource nationalism been implemented in the Persian Gulf and what have been the effects on each of the case studies employing such a policy?

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<sup>5</sup> Contested ownership of certain oil-producing areas also add up to tensions over resource supply (Le Billon 2005: 8).

2. What are the current complexities, difficulties, and issues associated with the presence of natural resources in tandem with resource nationalism?
  - a. For example, issues of ownership and exportation of natural resource deposits.
3. Is there an effect of resource nationalism on national and/or ethnic identities in the Persian Gulf in any of the case studies and how would this impact International Relations, if at all?
4. Does resource nationalism incite or intensify tensions between populations inhabiting the Persian Gulf?

Moreover, given that there are many important and crucial gaps in the present understanding and literature of the topic that can be filled with conduct of the study, other aims will include the following:

1. Present a view of the ethnic tensions that exist within the Persian Gulf.
2. Are any states in the Persian Gulf experiencing or on the path to experiencing a “resource curse” (Le Billion 2005: 11) and is this a result of utilizing resource nationalism?
3. Determine how the region is moving towards or is currently experiencing economic, political, or violent conflict as a result of resource nationalism. This is very much related to the derivations and implementation of resource nationalism as a framework.
4. Provide prospects and potential solutions to the region with reference to the framework.

Given the diversity and abundance of natural resources found in the Persian Gulf region, in order to create a more manageable project, the materials of focus will be oil and gas.

### ***The Literature and Theoretical Debates:***

While there is a vast amount of literature concerning the resource sectors of Middle Eastern energy powers such as Saudi Arabia, the UAE, and Iran, the issue of resource nationalism has not yet been addressed. There appears to be a missing gap in academic research in this respect.

Despite the lack of direct research, there is literature available that does assist in developing the project. Philippe Le Billion for example provides an overview of resource wars<sup>6</sup>. Although resource nationalism itself has not been touched upon and no country in the Persian Gulf region has been used as a case example, there are important themes that relate to the

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<sup>6</sup> Le Billion, P. (2005). *The Geopolitics of Resource Wars: Resource Dependence, Governance, and Violence*. London and New York: Routledge.

project. Namely, since resource nationalism encompasses a possibility of conflict, resource wars would be undoubtedly relevant to the research or at least the possibility of one. War in this sense, of course, should not be limited to violence but should also be inclusive of economic and political warfare. Following the general overview of resource wars, Le Billon continues to describe the notion and effects of “resource curse” or the situation in which natural resources that would normally be viewed as a positive addition to the state instead become a root for societal/ state damage (Ibid: 11), making it a burden upon the state rather than a source of relief. Le Billon further elaborates resource wars by investigating armed conflicts and how they can be fuelled by natural resources. However, the disheartening tone of the work was paired with a chapter on implications for conflict prevention and termination (Ibid: 51). Solutions detailed included United Nations (UN) policy shaming (Ibid: 58), restricting markets to the state until an acceptable degree of transparency is achieved (Ibid: 64), and of course the sharing and distribution of wealth (Ibid: 66). Le Billon in fact initially had previously focused on peace building in resource-rich environments and collaborated with E. Nicholls<sup>7</sup> to provide potential solutions to even reducing the overall possibilities of resource wars. The Persian Gulf has only been mentioned by Le Billon alongside F. El Khatib<sup>8</sup> from a geographical perspective. However, the work gives important insight to the notion of whether oil in particular is a source of modern conflict and whether it will extend beyond the geographical constraints of the Strait of Hormuz.

While the theme of ethnic tensions in association with resource nationalism had not been touched upon, having instead addressed the association between ethnic tensions and natural resources, Le Billon did introduce an intense debate within the field that applies to the project. The resource curse has been described as the case in which countries with an abundance of natural resources tend to have inferior economic development compared to other countries whose economies are lacking the abundance of natural resources. Subsequently, it has been observed that such countries decline in competitiveness with other economic sectors, often relying on the revenue generated by the sales of its natural resources to support the state. The consequences of lethargy in this setting leave the overall economic state fragile as well as vulnerable due to the volatility and at times the unpredictable nature of global market trends. Moreover, countries with

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<sup>7</sup> Le Billon, P. and Nicholls, E. (2007). “Ending ‘resource wars’: Revenue sharing, economic sanction, or military intervention?” in *International Peacekeeping*, 14(5), pp. 613-632.

<sup>8</sup> Le Billon, P. and El Khatib, F. (2003). “From free oil to ‘freedom oil’: Terrorism, war, and US geopolitics in the Persian Gulf” in *Geopolitics*.



an abundance of natural resources tend to suffer from governmental mismanagement and can sometimes be found sustaining weak, ineffective, and/or corrupt institutions. In turn, an environment that is more prone to conflict is created due to the frustrations and tensions fomented from the societal inefficiencies. The 1997 text *Paradox of the Plenty* by Terry Lynn Karl investigates the paradox of the resource curse and delves further into other themes that arise from an abundance of natural resources such as Dutch Disease (Karl 1997: 5 – 6), which is a decline in the manufacturing sector resultant from economic gain from natural resources and rentierism (Ibid), which is the term that is used to describe states that derive a substantial proportion of their income from “economic rents” or the sales of internal natural resources to external clients. Although the volume set forth by Karl seems dated for a field that is experiencing constant developments the concepts and themes still hold ground. More so, the resource curse is a debate that is still currently ongoing and there has been no definite conclusion or solution reached. In the work, Karl specifically uses Saudi Arabia and Iran as examples that illustrate the themes of Dutch Disease and rentierism as well as the controversial debate of resource curse. The UAE was not utilized as an example by Karl, which is one of the highest exporting hydrocarbon states in the world and would have been beneficial to review. But, at the time of publication the UAE did not generate considerable academic interest since the Emirates were to yet experience their oil boom and successive expansion.

While Karl endorses the view that petro-states experience a cycle of resource curse or one of the thematic elements tied to it, there is an opposing view that refutes the inevitability of entering such a pattern. The publication set forth by D. Lederman and W. F. Maloney argues that natural resources are neither the cause of a resource curse or are determinant of a particular fate for states in possession of natural resources. The case studies used in the work do not involve the Persian Gulf region and instead focus on the economies of Latin America, however, as far as conceptuality is concerned with the debate of resource curse there are numerous refutations that argue against the paradox. One argument would be that the management of the rapid influx of funds into a state is a problem that contributes to the resource curse and because the policy is the problem the cause of resource curse and its detriments is not with the existence of natural resources. Hence, should a solution such as effective management policies be set in place, the chances of a resource curse or any of its detriments are greatly reduced and even have the possibility of being eliminated. The issue of ethnic tensions is not addressed in the work since

the refutations were focused primarily on targeting the issue of the resource curse itself. However, the societal element of population was addressed, which therefore leaves an avenue available for ethnic groups and consequential tensions.

In essence, there are hints of the resource nationalism and suggestions of ethnic tensions that have been set forth by academics and relate to case studies that can be located from all over the world, but there is never a direct correlation or investigation that is argued or explicitly stated. This appears to be a crucial missing element in the present works and literature that would be filled by an investigation of resource nationalism in the Persian Gulf.

### ***Framework of the Analysis:***

As previously noted, resource nationalism has been understood as the case in which governments and/or ethnic groups lay claim to natural resources located in their territory for the purpose of ownership and control. Yet, this general understanding of the concept alone, while insightful can hold deeper and more specific meaning to describe the scenarios of the Persian Gulf. Within the overarching understanding of the principle come two views, one being a political aspect and the other economic. Given that resource nationalism is the framework of the analysis, it is beneficial to understand that it has a number of different aspects as well as understandings; both of which will be more carefully examined in subsequent chapters of the project.

However, an establishment that should be made would be with regards to the political aspect of resource nationalism, the emphasis of the principle is placed on political features, mechanisms, and potential. In this respect, resource nationalism can be utilized as an administrative tool. An example would be the case in which an ethnic group or government can pride themselves in the presence or possession of coveted resources and derive nationalistic sentiments from them. After all, natural resources can carry significant political weight, which can be viewed as a sign of wealth and therefore power in a state or community. Nationalism in this sense falls within an emotional spectrum and is not the only one that can be influenced by a policy of political resource nationalism. Emotions such as pride can be invigorated and instilled into a population, as was the case with Azerbaijan and the hydrocarbon industry following the dissolution of the Union of Soviet Socialist Republics (USSR), which contributed to an Azeri sense of security in independence and autonomy. However, emotions are not the only element

that can be influenced through a political aspect of resource nationalism since the behaviour of a population can be manipulated through psychological grips that can be set forth by a ruling authority. With regards to the economic aspect of resource nationalism, the emphasis of the principle is placed on economic features, mechanisms, and potential. In this sense, resource nationalism is viewed as an economic policy set forth by ethnic groups and/or states. Essentially, natural resources are taken into possession and put under control or ownership for financial purposes.

There are striking similarities between the two views of resource nationalism and both often interact intimately with each other since they not only fall under a common encompassing framework but also that they can be utilized simultaneously even mutually influence each other. An instance demonstrating the interaction between political and economic resource nationalism would be the case in which a population generates nationalistic sentiments from resources present within its domain and consequently nationalize the resources under an economic policy. One example would be the Democratic Republic of the Congo (DRC) initiating efforts to sustain its dense forestry (Le Billon 2012: 129 – 130), which is a natural resource in itself that is host to other commodities such as arable land, fresh water, and the ability to produce charcoal.

In this vein, it should be noted that resource nationalism is not without its flaws. Potential conflict can ensue should an ethnic group and state disagree on the ownership status and rights to resources within a territory and a calamitous political situation can develop. For example, in the case of Kazakhstan the state declared that all hydrocarbons within its political boundaries would be placed under a policy of resource nationalism with the purpose of financially stimulating their economy. Despite the ethnic Kazakh population being satisfied with the policy, ethnic Russian inhabitants were claiming primary ownership on the grounds that Kazakhstan did not exist as a state with formalized boundaries prior to subjugation and therefore had no legitimacy in claiming the hydrocarbons as their own (Ostrowski 2009: 63). Moreover, majority of the population at the inception of the Kazakh state was ethnically Russian (Ibid: 65) and there was an inherent fear in that because Kazakhs are ethnically different from Russians that there would be discrimination against them, such as what had occurred in the Caucasus<sup>9</sup>. Also, the USSR had ethnic Russians in practice placed before other Soviet citizens and in Kazakhstan ethnic Central Asians were now

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<sup>9</sup> Halilov, E. (2001). "Eyewitness: A Republic Loses Faith". Available online: <http://news.bbc.co.uk/1/hi/world/europe/1477933.stm> (Last retrieved: September 10, 2010).

in control. Additionally, the windfall from the hydrocarbon proceeds was perceived to go towards ethnic Kazakhs as the primary benefactors while the ethnic Russians would be secondary instead of an overall equally distributed revenue for all Kazakh citizens. As a result of the rising tensions, a dire political atmosphere unravelled, which included ethnic Russians forming separatist parties in Kazakhstan (Ostrowski 2009: 63). Although a general acquiescence persevered, the situation could have devolved into a violent setting. Similarly, the states implementing policies of resource nationalism in the Persian Gulf region could follow on the path of what occurred in Central Asia but could also even follow a more violent one like that of the Caucasus.

A more thorough review of resource nationalism will be covered in Chapters 3 and 5. In the meanwhile, in order to pinpoint areas in which resource nationalism can have shortcomings or strengths, it is necessary to identify its components. In Chapter 2, it will be established that the vital components of the framework would be the state, nation, nationalism, and ethnicity. Each has a crucial role in the development of resource nationalism and will be examined later in the project.

Already, there is direction that the concept of resource nationalism is incredibly dynamic and can grant deeper understanding into observing and interpreting the environments of the Persian Gulf. Hence, taking into consideration potential avenues of interpretations, the theoretical framework for the project will be resource nationalism.

### ***Organisation of the Project:***

The main divisions in the project are between six sections. In the ensuing chapter, an overview of a foundation for resource nationalism in all the countries sharing bordering along the Persian Gulf will be covered. The major components to Chapter 1 would be to describe in brief the political structure of each country, demographics, economic figures, military expenditures, and unique or notable geographic features among other facets. The case studies will additionally be discussed as to why they were specifically chosen for the research project. Chapter 2 will investigate theoretical concepts that are components to the framework of resource nationalism. The notions of the state, nation, nationalism, and ethnicity will be covered along with setting guidelines for terminology usage for the remaining chapters. Chapter 3 investigates resource nationalism and its varied interpretations as well as manifestations with the case studies. Ethnic

tensions will also be examined given that a model in theory can be vastly different than when implemented in actuality and there is already some sort of a relationship that can be observed. Hence, the implementation of resource nationalism in each state is accounted for and assessed along with ethnic tensions that exist within each case study. A product of resource nationalism, sovereign wealth funds (SWFs), will also be covered along with its relationship to the framework. Chapter 4 concerns the geopolitics of petroleum and energy security. Pipeline politics along with major oil and gas fields as well as projects will be addressed before moving on to the notion of security and militarization. Conflict and ownership disputes over select fields and areas will also be mentioned. Chapter 5 addresses theoretical shortcomings of resource nationalism and provides conceptual solutions to them. Finally, the project is paired with a conclusion that summarizes the main points and arguments of the project. It also discusses implications for the field and noteworthy future directions of research.

In sum, the project moves from coverage of the Persian Gulf area in short with foundations of the framework to a theoretical examination of the components that make up resource nationalism before exploring its usage. Then, a deeper take on the framework will be presented along with its complications as well as products. Other usages of resource nationalism will then be produced that extend beyond the domestic boundaries of the case studies, which is followed by an investigation to shortcomings of the framework paired with potential solutions before the conclusion.

### ***Methodology:***

This part will discuss the methods involved in the conduct of the project. Before delving into the reasoning of the approach and the details of the methods used for the study it would be beneficial to note that since a primary concern would be to not overextend the limitations of the project given the time constraints, concentrating the focus of natural resources to be oil and gas is advantageous and will avert potential mismanagement.

With that taken into consideration, the general methodological approach to the topic would be a comparative study using case examples. Iran, Saudi Arabia, and the UAE were selected from the many states in the Persian Gulf region because of not only their comparability with each other but also that the relationship between each of the states is intricately tied to the other. Aside from the history of interaction and sharing common geography as littoral states, all

cases possess vast hydrocarbon fields within their boundaries and accommodate diverse ethnic groups. Moreover, each state holds its own strengths. Iran and Saudi Arabia are both regional powers that are able to project their influence across international borders. Both with regards to religiosity can be considered figureheads in the Muslim world. After all, Saudi Arabia exists in the space in which Islam was first introduced to the world and has historically been a symbol for the religion ever since. The Muslim pilgrimage sites of Mecca and Medina along with relics of early Islamic history are additionally within Saudi Arabian borders and generate a constant flow of capital from tourists into the country. Religious knowledge and academia are also exported from Saudi Arabia particularly with thought pertaining to Sunnism. Similarly, Shi'ism has been increasingly coming under Iranian control, which has been spreading its interpretation of the religion with fervent zeal since the 1979 revolution in which the religious authority Ayatollah Khomeini seized power. Ever since, it can be arguably stated that transnational Shia networks experienced newfound revitalization. The UAE although lacking a command of religious influence has been gaining significant economic ground. The general trajectory of the UAE has also given it an increasingly formidable reputation coming to rival that of Saudi Arabia, which has been an established economic power for some time. The vibrant economies of the Arabian Peninsula are in stark contrast to the ever-weakening, sanctioned, and eroding one of Iran. The UAE was also chosen though for its perceived status of neutral ground in the Middle East, especially between Saudi Arabia and Iran. It also retains a unique role of mediator, although that has yet to be exercised to its potential. A paralleled example of the UAE in the Middle East has often been compared with Switzerland and Western Europe.

Indeed, for centuries there have been many factors for the migration of peoples around the region, such as economy, with the Persian Gulf as no exception. Societal makeup therefore will naturally change and be ethnically varied over time. Within the case studies of Saudi Arabia, the UAE, and Iran there are diverse ethnic groups that maintain a presence in each of the countries. Persians, Arabs, Baluch, Lurs, and Lars are just a few groups belonging to numerous that share the common grounds of these countries. Given the range of ethnic groups in the region, it is beneficial to limit the study to be a comparative analysis of Arabs and Persian since they are the two largest. This enables the project to be more manageable and does not undermine the status or role that other ethnicities have. After all, everyone inhabits the area and influences politics as well as the relations of the region just as much as any other group; it is purely for the

sake of the limitations of the project that the largest groups were selected. Another rationale underlying the two groups being selected would be that there is already a history of conflict between Iranians and Arabs that can be traced to pre-colonial times and arguably there are a series of potential conflicts currently in motion. With other factors such as the onset of globalization, intermarriages between the two groups, particularly on the Arabian Peninsula, are becoming more frequent and lead to questions of identity, especially in the traditionally male-dominated societies of the Middle East. The concept of *ajams* is also vital to understanding ethnicities in the region as this group although ethnically Iranian does not speak Persian or identify them as Iranian. Rather, *ajams* inhabit the Arab world and speak a derivative of Middle Persian, which has been influenced by Arabic after generations of settlement on the Arabian Peninsula. Identity concept in this group is dissimilar and has yet to be defined according to a common description. Such an issue potentially poses a new challenge for the distribution of hydrocarbon revenue in all littoral states. There is rising tension in the region and the states of Saudi Arabia, the UAE, as well as Iran along with their ethnic groups are pivotal to the strains. Consequently, industries such as the energy sector can be immediately influenced.

Logistics and management of the project is straightforward. The study is conducted using a range of sources; textually reliant on primary and secondary sources, but would also depend on the exact countries of discussion since some states such as Saudi Arabia have more documentation than others such as the UAE. There are a variety of academic journals that are beneficial to the project that regularly address energy issues in the Persian Gulf region such as *Oil and Gas Journal*, *Petroleum Economist*, and *Middle East Policy*. Also, there are ever-increasing secondary publications on the region since it is becoming a global focus due to the attention given to resource exportation. Consulting the many other media outlets such as news agencies of Persian Gulf states also gives some insight to the national perspectives on certain issues, such as views on economy, ethnicities, and the status of natural resources. Moreover, primary sources give a recent insight to the mechanisms and developments of the region, being especially helpful with generating data for the project. Sources will be used until the end of 2013. Of course, given the nature of the topic, it is noteworthy to mention that the endeavour will be analytical and deductive in approach. Language for the most part does not seem to be a barrier

since Persian, Arabic, and a derivative of the former<sup>10</sup> were all spoken in my household and I have therefore grown up with all the languages, giving me a familiarity unattainable to many other researchers. Furthermore, I have already spent a significant amount of time in the Middle East, particularly in the UAE and am familiar with the cultures, customs, and habits of the Iranian, Saudi Arabians, and Emiratis. Similarly, this experience is applicable to the broader Arab world. Field work was not necessary, but I did travel on a number of occasions to the UAE. For safety as well as citizenship reasons, Iran was not an option for me to travel to but it was also not necessary or integral for the continuation of the study. Conceptualization of the project will be done along the theoretical framework of resource nationalism and will naturally take influence from the various theories and themes recurrent within political science, especially the components of the state, nation, nationalism, and ethnicity noted earlier.

Overarching methods of gathering information also included the possibility of conducting interviews and surveys. However, surveys were not necessary for the development or undertaking of the project and were consequently not included. Likewise, formal academic interviews were not conducted given the sensitivity of the petroleum industry to each country, which entailed that many potential interviewees were uncomfortable or potentially at risk should an academic interview be conducted. But, conversations were taken note of and influenced the project. It should also be noted that while there was influence, the project did not develop into one that is *ad hoc* in nature.

In sum, there were not any significant difficulties with completing the project. There was plenty of literature that was relevant to the study, the language barriers did not pose a challenge, and any individuals that needed to be accessed were done so in Dubai. Also, since the venture of energy policies such as resource nationalism is on the cusp of a revival, there were be many incoming and newly acquired developments that were incorporated into the project.

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<sup>10</sup> The Iranian language referenced is a derivative of Middle Persian and varies in structure depending on the area it is spoken in, but is widely understood between associated villages that have populations spread across the entire Persian Gulf. The collective term from Arabic labels this group of dialects as “*ajami*”, which itself is derived from the Arabic word denoting a mute or non-Arabic speaker.



## Chapter 1: Foundations of Resource Nationalism in the Persian Gulf

The Persian Gulf has established itself as a strategically significant waterway that can influence global energy markets with its immense hydrocarbon exportations. It can also provide vital transportation routes to numerous markets given its geographic location. Indeed, it has come to represent universal desires such as prodigious wealth and diversity but also some of the more adverse ones such as violence, fanaticism, and corruption. Such duality while seemingly contradictory in nature can in fact be viewed more as a complimentary and reciprocal relationship given the domestic and region-wide interactions of the Persian Gulf area, especially with regards towards resource nationalism. However, before investigating such phenomena it is beneficial to gain an understanding of the littoral states of the Persian Gulf. The following chapter will provide a brief history of each country from the founding of its modern independence in the international system along with economic statistics, demographics, social factors, and military details that grant further insight to the respective state. Hence, brief coverage of governmental structure will also be mentioned as well as specific intrastate and interstate issues, which will then lead to collective regional tensions in the Persian Gulf. The framework to be analysed in the thesis will be resource nationalism, which has been described as the case in which governments and/or ethnic groups lay claim to natural resources located in their territory for the purpose of ownership and control (Nurmakov in Overland, Kjaernet, and Kendall-Taylor 2010: 20 – 21). ). Applications to the countries of the Persian Gulf are numerous, but particularly relevant with the petroleum sector since all the littoral possess oil and gas deposits that greatly contribute to economic affluence.

At present there are eight countries that maintain boundaries on the gulf, which are Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and the UAE. Six of these countries hold membership to the Gulf Cooperation Council (GCC)<sup>11</sup>, which is also known as Cooperation Council for the Arab States of the Gulf (CCASG) (Ibid) and is a regional bloc designed to facilitate political and economic relations between its members; the countries holding membership are Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the UAE (Ibid). The most significant economic commodity, especially given its historical worth would be hydrocarbons. The Persian Gulf has been responsible for quite some time for the possession and exportations of

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<sup>11</sup> <http://www.gcc-sg.org/> (Last Retrieved: February 2, 2011).

crude oil and natural gas, being the single largest source of such materials in the world<sup>12</sup>. A few of the major areas holding such resources would be the Ghawar Oil Field of Saudi Arabia, which is the largest single oilfield in the world possessing upwards of an estimated 83 billion barrels (bbl) with a high recoverability rate<sup>13</sup> and the South Pars Gas Field, which is a giant reserve that extends across the Persian Gulf median line of Iranian territorial waters to the Qatari side where it is known as the North Field and possesses an upwards estimate of 1,800 trillion cubic meters (cu m) of natural gas<sup>14</sup>. Naturally, related industries and services to the petroleum sector follow to dominate the economics of the region. For example, in the case of Qatar with an elaborate liquefied natural gas (LNG) industry in addition to the petrochemical refineries and maintenance of such businesses (Ibid).

Given the significance of natural resources in the region it is only logical for energy concepts such as resource nationalism to have some degree of presence in the area. Indeed, all of the countries bordering the Persian Gulf demonstrate at least the foundations for resource nationalism to develop should the concept not already be implemented. Since fundamentals are important to consider the littoral countries will be reviewed in a counter clockwise manner starting with Iran, given that it is the only country in the region that does not conform to a majority Arab identity despite possessing Arab communities within its borders. The Arabian countries from the Al Faw peninsula southwards will then be covered ending with Oman at the southernmost tip of the Arabian Peninsula.

### ***Iran:***

Iran, unlike many of the other countries of the Middle East, has existed independently for centuries and was not colonized by imperial powers. Prior to the 1934 the area was known as “Persia” but had the name changed to “Iran” by Reza Shah Pahlavi (Abrahamian 2008: 86) in an attempt to create social reforms and an industrialized country. A monarchical system remained in power until 1979 when the Iranian Revolution occurred, overthrowing the ruling Pahlavi dynasty (Ibid: 155 – 162). Since then a complex and convoluted political structure unique to Iran has been in place, which combines democratic and theocratic elements to form what Iran terms an

<sup>12</sup> Sorkhabi, R. (2010a). “Why So Much Oil in the Middle East?” in *GeoExpro*, 7(1). Available online: <http://www.geoexpro.com/articles/2010/01/why-so-much-oil-in-the-middle-east> (Last Retrieved: June 3, 2013).

<sup>13</sup> Sorkhabi, R. (2010b). “The King of Giant Fields” in *GeoExpro*, 7(4). Available online: <http://www.geoexpro.com/articles/2010/04/the-king-of-giant-fields> (Last Retrieved: June 3, 2013).

<sup>14</sup> <http://www.eia.gov/countries/cab.cfm?fips=qa> (Last Retrieved: February 2, 2011).

“Islamic Republic” (Figure 1.1). Elected institutions would include the roles of president, cabinet, parliament, assembly of experts, as well as an electorate (Figure 1.1). Popular elections are for the posts of President (from which a cabinet can be appointed without popular consent), Assembly of Experts, and Parliament via the pre-approved electorate; this is essentially the extent of democratic components in the Iranian political system. Unelected institutions are comprised to the Supreme Leader, armed forces, Head of Judiciary, and the Expediency Council (Figure 1.1). Links between elected and unelected bodies would be through the Guardian Council, from which both bodies interact (Figure 1.1). However, while the Guardian Council appoints and/or approves members of cabinet, it is not a paralleled relationship with the Supreme Leader or the Head of Judiciary, which can both either appoint and/or approve members of the Guardian Council. Additionally, an Assembly of Experts appoints and/or approves the Supreme Leader. Power distribution within the political model has historically been in favour of religiously oriented figures loyal to the Supreme Leader and following a conservative Shia Muslim doctrine.

The population of Iran is currently posited (Figure 1.2) at around 80 million people<sup>15</sup>. The largest portion of the population is between 25 and 54 years of age at around 45.3%, the 14 years and under category is at around 23.8%, and the 15 to 24 years of age group at 19.8% (Ibid). The 55 and over group makes up only around 11.2% of the total population, which is the smallest group of all the categories (Ibid). Naturally, the significance of the population makeup alone would be that there is a majority of youth in the country, which has significant implications for the economic sector. The religions of Iran while numerous in diversity are overwhelmingly dominated by Islam at 98% of the population with Shi’ism holding 89% and Sunnism at 9% (Ibid). Other religions include Zoroastrianism, Yezidism, Yarsanism, Mandaism, Judaism, Christianity, the Baha’i Faith, and Sikhism. Often with varieties in religions come varieties of people and Iran is no exception, having a multitude of Iranian, Turkic, Semitic, and other groups within the country. Persian is the most widely spoken language and the official one of the country, however Arabic, Armenian, Baluch, Georgian, Gilaki, Kurdish, Luri, Mazandarani, Turkish, Turkmen, Talysh, and other languages can also be found.

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<sup>15</sup> <http://data.worldbank.org/country/iran-islamic-republic> (Last Retrieved: June 1, 2013) and <https://www.cia.gov/library/publications/the-world-factbook/geos/ir.html> (Last Retrieved: June 1, 2013).

The economy of Iran is weak with low international presence and suffers for a multitude of reasons including inefficient domestic policies and international sanctions. The heavy reliance on oil and gas revenues, which comprise a large portion of government income, also contributes to the continued weakened state of the economy. However, such a dependency is not the only factor for economic stagnation. Government limitations such as price controls, subsidies, and other institutionalized deficiencies prevent the country from experiencing any potential for growth. The private sector is also monitored with activities being typically limited to light manufacturing and agriculture. Such factors coupled with black market activity and corruption is only natural to weighing any economy down from reaching any reasonable state of international competition. Since the 1990's the Majles has publicly recognized the need to reduce economic inefficiencies but action addressing the issue was absent until 2007 with the gasoline rationing in the country that would theoretically save \$60 – 100 billion United States dollars (USD) annually and was benefiting a primarily wealthy class in any case. Further economic reforms would be in 2010 with President Mahmoud Ahmadinejad passing the Targeted Subsidies Reform to implement rationing on food and energy<sup>16</sup>. Cash pay-outs by the government to the population calmed initial resistance to the Targeted Subsidies Law but by 2012 international sanctions deepened the Iranian economic woes and such pay-outs had a significantly eroded value as well as purchasing power due to domestic inflation rates. A 50% currency depreciation rate against the USD within a matter of weeks, forced government spending cuts, restrictions on oil and gas exportations, and consequential significant reductions in oil and gas revenues to the central government are just a few of the crippling effects international sanctions has had on Iran<sup>17</sup>.

With a setting of economic destitution the figures of the Iranian economy have the Gross Domestic Product (GDP) purchasing power parity (ppp) in 2012 estimates at \$997.4 billion USD, which is down from the previous year of \$1.007 trillion USD that in turn was up from the 2010 estimates of \$986.8 billion USD<sup>18</sup>. The GDP real growth rate was -0.9% in 2012, which was the first time in two decades that the Iranian economy turned negative, 2% according to 2011 estimates, and in 2010 was at 5.9% (Ibid). The GDP per capita ppp remained at around

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<sup>16</sup> Guillaume, D., Zyteck, R., and Farzin, M. R. (2011). IMF Working Paper: "Iran – The Chronicles of Subsidy Reform". Available online: <https://www.imf.org/external/pubs/ft/wp/2011/wp11167.pdf> (Last Retrieved: June 1, 2013).

<sup>17</sup> <http://www.stratfor.com/situation-report/iran-rial-falls-all-time-low?topics=288#axzz3HZ61FTgG> (Last Retrieved: September 9, 2012).

<sup>18</sup> <http://data.worldbank.org/country/iran-islamic-republic> (Last Retrieved: June 1, 2013) and <https://www.cia.gov/library/publications/the-world-factbook/geos/ir.html> (Last Retrieved: June 1, 2013).

\$13,000 USD between 2010 and 2012 with the GDP sector composition being 11% agriculture, 38.4% industry, and services at 50.6% for 2012 (Ibid). The major industries in the Iranian economy would be petroleum, fertilizers, textiles, food processing, ferrous fabrication, non-ferrous fabrication, cement, and other construction materials (Ibid). Public debt and unemployment rates of course are high with the former being 18.8% of the GDP and the latter being an estimated 15.3% after a regular exodus of educated as well as skilled labour (Ibid). Statistics on exports and imports often can appear as simple figures that can give a reference point to the viewer, however with the case of Iran it also grants insight and subtle hints towards its political relations. The top export commodity from Iran is the petroleum and its associated by-products at around 80% with it in addition to smaller industries such as foodstuffs and handicrafts. The main export partners of Iran are China at 21.4%, Japan at around 9.1%, Turkey at close to 8.8%, India at 8.1%, South Korea at 8%, and Italy at 5.3 (Ibid). Imported commodities include industrial supplies, capital goods, foodstuffs and other consumer goods, and technical services. The top import partners would be the United Arab Emirates (UAE) 30.9%, China 17.4%, South Korea 7.1%, Germany 4.8%, and Turkey 4.2% (Ibid).

With petroleum being traditionally the largest source of income and exportation for the Iranians, figures are vital to understanding the sector. Crude oil production from 2011 was 2.4 million barrels per day (bpd), which was the 5<sup>th</sup> highest in the world with exports prior to international sanctioning being 2.295 million bbl/day placing Iran at the 5<sup>th</sup> highest global position once more<sup>19</sup>. Proven reserves of crude oil as of January 1, 2013 would be 151 billion bbl, which is the 5<sup>th</sup> highest in the world and does not take into consideration any shale potential (Ibid). Refined petroleum production figures in 2008 were 1.801 million bbl/day placing the country at 14<sup>th</sup> in the world with the consumption rates in 2011 being 1.694 million bbl/day (Ibid). Refined petroleum product exports was 246,500 bbl/day according to 2008 estimates with import figures being 187,000 bbl/day keeping both statistics at the 26<sup>th</sup> and 27<sup>th</sup> highest in the world, respectively (Ibid). According to 2012 statistics, figures of proven reserves of natural gas stand at 33.07 trillion cubic meters (cu m), which sets Iran as the third largest possessor of such materials in the world (Ibid). However, it should be noted that there are many suspected areas in Iran that have natural gas deposits that have not yet been explored, which creates immense reserve potential for the country. In 2010 natural gas production was 146.1 billion cu m with

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<sup>19</sup> [http://www.opec.org/opec\\_web/en/publications/1979.htm](http://www.opec.org/opec_web/en/publications/1979.htm) (Last Retrieved: June 1, 2013).

consumption rates being 144.6 billion cu m; both rates are high and are tied at 6<sup>th</sup> in the world (Ibid). Natural gas export figures from 2010 stand at 8.42 billion cu m with imports from the same year being 6.85 billion cu m (Ibid). Indeed, given the statistical information on the oil and gas sectors of the country<sup>20</sup> in addition to the awareness of the revenue makeup to government funds there is an obvious notion of Iran being a rentier state. However, Iran existing as a rentier state extended to previous regimes preceding the Islamic Republic and is not limited to the current ruling government.

The military of the Islamic Republic is comprised of two main divisions. One would be the Islamic Republic of Iran Regular Forces or Artesh, which is the Army, Navy, and Air Force and the other would be the Islamic Revolutionary Guard Corps (IRGC), which are the Ground Resistance Forces, Navy, Aerospace Force, Quds Force, and Law Enforcement Forces (Ibid). Military service in Iran is mandatory at 19 years of age for 18 months, 17 for law enforcement forces, 16 for volunteers, and 15 for Basij (Ibid). Women are exempt from mandatory military service but can join a specially designated arms force for women (Ibid). Manpower available for military service in Iran is abundant given the youthful makeup of the country with males aged between 16 and 49 providing an estimated 23,619,215 units and females in the same age range providing 22,628,341 (Ibid). According to 2010 figures, manpower reaching military age annually would be 715,111 for men and 677,372 for women (Ibid). Military expenditure was 2.5% of the GDP in 2006 but has risen dramatically since then (Ibid and Figure 1.12). Iran has become increasingly reliant on domestically produced equipment since the ousting of the Shah and has increased domestic production since the US interventions in Afghanistan and Iraq (Ward 2009: 304 – 306). Ties between the military and the Islamic Republic are vital and have been established since the earliest stages of the regime. Iran has fought a violent eight year conventional war with neighbouring Iraq from 1980 to 1988 and has had a further couplet of years combating border insurgency with Iraqis despite declaring an end to the conflict. Border tensions towards the west with Iraq were not the only strained ones however. Prior to 1990 Iran had four bordering neighbours: Iraq, the USSR, Afghanistan, and Pakistan. Following the dissolution of the USSR however, Armenia, Azerbaijan, and Turkmenistan found themselves as newly formed countries maintaining borders along Iran. Pre-existing war in the South Caucasus over Karabakh between the Armenians and the Azeris carried into the 1990s to the northwest

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<sup>20</sup> See Figure 1.3 – 1.11.

above Iran and an increasingly aggressive Taliban in Afghanistan nearly brought Iran to regional conflict once more. Iranian public distaste for newly initiated wars however prevented any further action.

At present, Iran shares lengthy political borders on the eastern and western portions of the country totalling to around 5440 kilometres (km)<sup>21</sup>. Countries surrounding Iran would be Turkmenistan to the northeast at approximately 992 km, Afghanistan to the east at approximately 936 km, Pakistan to the southeast at approximately 909 km, Iraq to the west at a sizeable 1458 km, Turkey to the northwest at 499 km, the Republic of Azerbaijan exclave of Nakhcevan to the northwest at 179 km, Armenia to the northwest at a mere 35 km, and the Republic of Azerbaijan to the north at 432 km (Ibid). Iran also maintains maritime boundaries on the Caspian Sea as well as the Persian Gulf. The former is subject to intense debate as Iran insists on a single multilateral agreement between all five countries that have shores on the Caspian Sea to an equal division of the waters (Granmayeh in Akiner, S. (ed.) 2009: 23 – 31). However, a stable multilateral agreement in which all parties are acquiescent has yet to be reached. Borders in the Persian Gulf though are not subject to intense debate since Iran has maintained a relatively stable relationship with its Arabian neighbours concerning the maritime boundaries between each country with few exceptional cases. The borders of the Persian Gulf entail that a halfway demarcation or median line is respected. A strategic feature to note would be the Strait of Hormuz, which are vital maritime pathways for not only the transportation for petroleum exportations to international markets but also for importation. Maritime disputes in Iran though are not limited to the Caspian Sea and Persian Gulf. The lack of a fixed maritime boundary between Iran and Iraq at the mouth of the Shatt Al Arab<sup>22</sup> waterway is also a source of international tension. Since the Iraq War of 2003 there has been a surge of refugees and international displaced persons (IDPs), upwards of 43,000, that have pursued sanctuary in Iran<sup>23</sup>. Other international tensions would be with the UAE concerning the Abu Musa and Tunb Islands, which is currently in possession of Iran but the UAE objects to<sup>24</sup>, Turkey concerning Kurdish separatist groups such as the Free Life Party of Kurdistan (PJAK) (Elik 2012: 90 – 92), and Pakistan with Baloch separatist groups inclusive of

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<sup>21</sup> <https://www.cia.gov/library/publications/the-world-factbook/geos/ir.html> (Last Retrieved: June 1, 2013).

<sup>22</sup> The Shatt Al Arab waterway is known as the Arvand Rud in Iran.

<sup>23</sup> <http://www.unhcr.org/ir/en> (Last Retrieved: June 1, 2013).

<sup>24</sup> See Al Nahyan, K. (2013). *The Three Islands: Mapping the UAE-Iran Dispute*. London: Royal United Services Institute (RUSI) and Mattair, T. (2005). *The Three Occupied UAE Islands: The Tunbs and Abu Musa*. Abu Dhabi: Emirates Center for Strategic Studies and Research. Also published by IB Tauris in London and New York.



Jundullah<sup>25</sup>. Naturally, sharing a lengthy border with Afghanistan would also create tensions on a number of levels starting with refugees and IDPs numbering to figures upwards of 2.4 million<sup>26</sup>. Limiting of water flow from the Helmand River branches to Iran during times of drought have also been a historical source of pressure (Dehgan, Palmer-Moloney, and Mirzaee in Weinthal, Troell, and Nakayama (eds.) 2013: 313). Narcotics and illicit substance trafficking is an additional hindering experienced between Iran and Afghanistan as trafficking routes from Afghanistan through the Iranian province of Sistan and Baluchistan are frequent courses (Chouvy 2009: 85). Human trafficking naturally follows such routes as well but is not limited to Afghanistan given the sensitive geographic positioning of Iran.

### ***Iraq:***

The independence and establishment of the state of Iraq is more complex than that of Iran since there was never a sovereign Iraqi state prior to its founding as a kingdom in 1932. Before the monarchy of Iraq was instituted, its political boundaries had been under British dominion (Kamrava 2005: 41 – 42). In fact, Iraq was introduced to the international system at the League of Nations in 1920 as a territory under United Kingdom (UK) management. Of course, it should be noted that the boundaries of what is now Iraq was formerly a part of the Ottoman Empire but was lost to the British at the end of the World War I, which was therefore the logical transition for Iraq to be under British influence. The monarchy of Iraq did not last for long however as a military-led coup d'état was initiated against the king, who was overthrown in 1958. A decade later in 1968 the Baath party led by Saddam Hussein violently seized governmental power and ruled the country until the 2003 invasion by the United States (US) and its allies. Prior to the 2003 US invasion, Iraq had suffered decades of conflict with the Iran-Iraq war from 1979, which was concluded in 1988 to *status quo ante bellum* but extended with light border skirmishes with Iran until the early 1990s. After the bitter war with Iran, Iraq invaded and occupied neighbouring Kuwait in 1990, which initiated the Persian Gulf War in January 1991 but was a conflict that was concluded with the defeat of Iraq by the US-led United Nations (UN) coalition by February 1991. Throughout all conflicts domestic insurgency was present, stemming from dissatisfied Kurdish and Shia populations that felt discriminated by Sunni Baathist policies. Following the

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<sup>25</sup> Hardy, R. (2010). "Profile: Iran's Jundullah Militants" in *BBC News*. Available online: [http://news.bbc.co.uk/1/hi/world/middle\\_east/8314431.stm](http://news.bbc.co.uk/1/hi/world/middle_east/8314431.stm) (Last Retrieved: March 1, 2011).

<sup>26</sup> <http://www.unhcr.org/pages/49e486f96.html> (Last Retrieved: March 1, 2014).



expulsion from Kuwait, Iraq was required by the United Nations Security Council (UNSC) to demilitarize and dispose of its weapons of mass destruction as well as long-range missiles and allow for UN inspections to ensure that the state would be in compliance of the UN designated measures. However, Iraq was deemed to be in continuous noncompliance with the security regulations set forth by the UN, which led to international sanctions being put on the country. Consequentially, Iraq experienced deteriorating economic conditions and even further resentment with the ruling party, which was perceived as brutal and ruthless with its population. On grounds that Iraq had continually been in violation of the UNSC mandates with regards to its weapons of mass destruction and that it was among many other serious issues a supporter and financier of international terrorist organisations the US with its allies invaded Iraq in 2003 and toppled Saddam Hussein along with his Baath party. The swift defeat of Iraq experienced during the First Persian Gulf War was not a repeated scenario as the US remained with military operations in Iraq until the end of 2011<sup>27</sup>. At the moment, Iraq is a country that is still in transition with regards to its population and government. While there are declared democratic institutions in place such as elections, for all intents and purposes the country remains shattered and divided. Most notable, the Kurdish dominated areas of the country have established themselves effectively as an independent authority with the emergence of a political administration known as the Kurdistan Regional Government. The Kurdistan Regional Government has increasingly been attempting to project political power throughout Iraq while maintaining a secure degree of autonomy in its northern power base. Moreover, it has begun to secure crucial oil and gas contracts that generate foreign investments to the Kurdish areas that are not to be shared with any other part of Iraq since the investments come theoretically directly to the Kurdish Regional Government<sup>28</sup>. Indeed, Iraq is a country that on numerous levels demonstrates the dynamic applications of resource nationalism and has yet to develop its interpretation of the concept fully given the nascent stage of its post-invasion reformation.

Iraq while a comparatively large country in the Persian Gulf region maintains only a mere 58 km border with the shores of the waterway. However, despite maintaining such a small littoral border Iraq holds a strategic position at the head of the Persian Gulf with the Tigris and

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<sup>27</sup> Logan, J. (2011). "Last US Troops Leave Iraq, Ending War" in *Reuters*. Available online: <http://www.reuters.com/article/2011/12/18/us-iraq-withdrawal-idUSTRE7BH03320111218> (Last Retrieved: December 18, 2011).

<sup>28</sup> <http://www.stratfor.com/situation-report/iraq-kurdistan-regional-government-signs-oil-contracts#axzz3HZ61FTgG> (July 26, 2012).

Euphrates rivers passing through it to make a confluence. The saturated landscape of the southern areas bordering Iran is especially apparent in Shatt Al Arab<sup>29</sup> waterway, which is an area known for its marshlands and minority population of “Marsh Arabs”<sup>30</sup>. The waterways throughout the south of Iraq, such as Khor Al Zubayr, have become a breeding ground for illegal crude oil trafficking to Iran since the fall of Saddam Hussein<sup>31</sup>. Petroleum and natural gas though are not the only significant natural resources found in Iraq, salts such as phosphates and other natural elements such as sulphur are mined in the country, which contribute to the development of the state economy.

The population of Iraq stands at around 31,858,481<sup>32</sup>. The largest age groups would be 0 – 14 years of age comprising around 37.2% and the 25 – 54 years of age with 35.8% of the total population (Ibid). Other groups would be the 15 – 24 years of age category standing at around 19.6% and the 55+ group with the remainder at 7.4% (Ibid). An obvious but nonetheless significant feature of the statistics would be that the vast majority of the population is under the age of 55. Moreover, it can be observed that during the early years of the US-led invasion, the survived birth rates dropped, undoubtedly correlated with the conflict. Furthermore, with the progression of the war the birth rates seemed to have climbed. Unfortunately, what cannot be ascertained by the statistics would be the rates of survived babies that are mentally or physically affected by the consequences of war such as birth defected children in Kirkuk or those exhibiting posttraumatic stress disorder (PTSD)<sup>33</sup>.

The economy of Iraq has been improving in recent years given the improving security environment starting from the Green Zone of Baghdad, which assists in the generation of foreign investments and businesses to spark economic activities. Major sectors of the Iraqi economy affected by such funds would be private security, construction, and energy; namely oil. The history of the material in the area is quite extensive, notably stretching to the Ottoman Empire when Calouste Gulbenkian, an Ottoman citizen of Armenian heritage, assisted in the creation of the Turkish Petroleum Company (TPC) in 1912. After the outbreak of World War I and the

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<sup>29</sup> The Shatt Al Arab waterway is known as the Arvand Rud in Iran.

<sup>30</sup> <http://www.amarfoundation.org/heritage/index.php> (Last Retrieved: July 26, 2012).

<sup>31</sup> <http://www.stratfor.com/sample/analysis/special-report-irans-oil-smuggling-network-iraq> (Last Retrieved: January 30, 2012).

<sup>32</sup> <https://www.cia.gov/library/publications/the-world-factbook/geos/iz.html> (Last Retrieved: June 1, 2013).

<sup>33</sup> Eccleston, J. (2007). “Silent Victims: What Will Become of Iraq’s Children?” in *CNN*. Available online: [http://edition.cnn.com/2007/WORLD/meast/03/19/iraq.children/index.html?\\_s=PM:WORLD](http://edition.cnn.com/2007/WORLD/meast/03/19/iraq.children/index.html?_s=PM:WORLD) (Last Retrieved: July 26, 2012).

dissolution of the Ottoman Empire, the TPC was succeeded in the newly created Iraq as the Iraq Petroleum Company (IPC). Under the Hashemite Monarchy until 1958 there was no serious tension between the government and the TPC/IPC. Yet, following a *coup d'état* in which a Baathist government replaced the monarchy, relations were not as amicable and tensions escalated to the point in which oil was ultimately nationalized in 1972. Oil production throughout the change in regimes provided each government with valuable concessions and the material even after the removal of Saddam Hussein remains the core generator of funds for the country. As of 2013, over 90% of government assets are earned from the petroleum division, which is largely managed by the state under the Iraqi Ministry of Oil. Facts and figures regarding the daily export of oil have actually reached a peak unseen for decades under the previous Baath regime with 2.7 million barrels per day (mbpd) set forth on average in 2012. Before the newly reached heights were achieved the preceding year established the record for oil output at an average of 2.2 mbpd. Oil prices remained high for much of 2012 due to international political tensions, which contributed greatly to the revenue directed towards the state. However, statistics on state-generated petro-dollars while available are becoming progressively more difficult to realistically gauge given the complex situation in the country with a Kurdish dominated north<sup>34</sup> and a primarily Arab dominated south. The Iraqi Kurdish Region maintains an independent and active political body that is separate from the federal government authority hailing from Baghdad. Hence, the Iraqi Kurdish Region exercises growing autonomy with the Kurdistan Regional Government and passed its own oil law in 2007, which also led to the signing of its own oil contracts and production sharing agreements (PSAs). The oil managed by the Kurdish Regional Government draws on reserves within the its own jurisdiction and directs funds generated from sales to the Iraqi Kurdish Region exclusively; with no monies ever reaching or contributing to the development of areas outside its *de facto* boundaries. Conflict and tensions unquestionably arise with regards to the oil sales of regional versus federal authorities, especially with the areas that are disputed between Kurds and Arabs. Baghdad frequently asserts that the Kurdish Regional Government has no legal authority within their country and is consequentially often labelled as separatists or insurgents against the state. Furthermore, Baghdad refuses to recognize any authority in the Iraqi Kurdish Region that does not comply with the power of the federal government. But, the fact remains that the southern provinces of Iraq remain shattered

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<sup>34</sup> Namely the provinces of Dohuk, Arbil, and Sulaimaniyah

after the US-led invasion and the state is in no position to assert dominance over the northern Kurdish populated areas. This essentially leaves the Kurdish Regional Government able to act and behave with a great degree of autonomy. Already, the Iraqi Kurdish Region has begun direct deals with traditional state rivals such as Turkey, which despite being a commonly viewed enemy to Kurds has signed lucrative and beneficial oil deals with the governing body. Implications of the growing deals of course pave way for what has become known as the “Kurdish corridor”, which is a term designed to illustrate Kurdish oil politics that are intended to divert oil away from Persian Gulf transportation and dependence instead to the Mediterranean Sea via Turkey and/or other alternative developing routes. In the same move, by creating a “corridor” the Kurds have also denied Baghdad benefits of petro-dollars and taken away not only a serious bargaining chip but also potential revenue that could be used for the reconstruction and redevelopment of the southern regions. Oil trade in the south is moreover affected with the illegal trafficking of resources to Khuzestan in Iran through an elaborate network that is both terrain- and naval-based. “Governmental assets” therefore can be regarded as an ambiguous and increasingly vague term in Iraq given the presence of the Kurdistan Regional Government and the independent signing of oil contracts away from the federal government based in Baghdad coupled with the notion that the secretive trade certainly affects statistics.

Aside from the oil sector other factors affecting state economic growth would include corruption, ineffective infrastructure that is out of touch with the general needs of the population, and feeble legal parameters that prevent commercial advancement. While investment security has improved since the 2006 legal reformations, there is still sizable room for improvement. Much of the economic benefits generated by Baghdad are not divided evenly throughout the provinces or in such a way that productivity cultivates further development. The public sector has been overwhelmed because of the lack of freedoms that should enable ordinary Iraqi citizens to establish businesses and manage independent enterprises, however the standing laws makes it difficult for such citizens to do so. Foreign companies and investors consequentially suffer alongside the populace with similar unnecessary difficulties. The private sector therefore has been thoroughly underdeveloped, which leaves an optimistic potential for improvement in the country but must be addressed responsibly in order to benefit the state. Economic statistics from 2012 placed the Iraqi economy as having a GDP ppp of \$155.4 billion USD, which is up from the \$141 billion USD figure in 2011, and up from the previous 2010 figure of \$129.6 billion

USD<sup>35</sup>. The real growth rate is positively correlated with the rise in GDP ppp figures with the 2012 figure at 10.2% up from the 8.9% of 2011, which is up from the 3% of 2010 (Ibid). The GDP per capita ppp has been steadily rising at \$300 USD per year from 2010 at \$4,000 USD to 2012 at \$4,600 USD (Ibid). GDP sector composition stood at agriculture at 8.7%, services at 25.1%, and industry at 63.8% according to 2012 figures (Ibid).

However, while the positive trend may appear optimistic as far as statistics are concerned the figures may in fact be quite deceptive considering the chasm between the north and south of the country, which is populated predominantly by Kurdish and Arab populations, respectively. Furthermore, a lengthy war has been in place in Iraq since 2003. A decade of conflict has certainly taken a toll on the infrastructure and while a dictatorial government has been removed, there has not been a stable or more effective one that has replaced it given the autonomy exercised by the Kurdish populated regions versus the devastated southern areas mainly inhabited by Arabs. It should also be mentioned that prior to the Iraq War of 2003, the country suffered a militaristic defeat in the Persian Gulf War that was also preceded by a brutal conflict with neighbouring Iran. All conflicts coupled with insurgency set economic progression and further industrialization back. Naturally, being a rentier state the industrial and service values of the GDP composition are mainly directed towards the oil and gas sectors. Given the abundance of petroleum reserves in the country it is expected that exports include oil and gas. However, it should be noted that other industries such as chemicals, textiles, construction materials, food processing, and metal fabrication are also sources of exportation from the country.

What can be clearly illustrated given the oil politics of Iraq would be that resource nationalism has multiple simultaneous presences within the country. The occurrence of resource nationalism from Arbil greatly differs than that of Baghdad and evidently petroleum statistics become important when evaluating the concept given the immense earning potential. At present, crude oil proven reserves in Iraq stand at around 141 billion barrels (bbl)<sup>36</sup> with exploration measures still being undertaken given the probabilities of finding future reserves, making it one of the largest areas on the planet with such a high concentration of such materials. Crude oil production was an average of nearly 3 mbpd in 2012 and surpassed Iran to take the number two spot behind Saudi Arabia for production in OPEC (Ibid). Naturally, with Iraq being a rentier

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<sup>35</sup> <https://www.cia.gov/library/publications/the-world-factbook/geos/iz.html> (Last Retrieved: June 1, 2013).

<sup>36</sup> <http://www.eia.gov/countries/country-data.cfm?fips=IZ> (Last Retrieved: June 1, 2013) and <https://www.cia.gov/library/publications/the-world-factbook/geos/iz.html> (Last Retrieved: June 1, 2013).

state, crude oil import figures are at 0 barrels per day (bpd) as all domestic needs were satisfied with domestic production (Ibid). Refined petroleum production topped over 450,000 bpd in 2011 with the domestic consumption making up nearly 82,000 bpd (Ibid). Natural gas production since 2010 is over 1.3 billion cubic (cu) meters (m) with the domestic consumption being the entire figure (Ibid). Proven reserves of natural gas are close to 3.2 trillion cu m with export sales reaching \$88.27 billion USD in 2012 which is up from the preceding year of \$79.68 billion USD (Ibid).

Export commodities in Iraq naturally have been crude oil making up around 85% of the total exports with other crude materials composing the majority of the remaining 15% of exports<sup>37</sup>. Top export partners purchasing Iraqi commodities from 2011 would be India at around 22.5%, the US at close to 22.3%, China at 13.4%, South Korea at 11.7%, Japan at nearly 5%, and the Netherlands at 4.3% (Ibid). Imports in Iraq have risen in the past years from \$47.8 billion USD in 2011 to \$56.89 billion USD in 2012, signifying greater facilitation with the international system (Ibid). Iraqi import commodities are food medicine and manufactures with the top import partners from 2011 being Turkey at 25.3% of total imports, Syria at 18.3%, although this has been since affected by the ongoing civil war with the Assad regime, China at 11.7%, the US at 7.4%, and South Korea at 4.7% (Ibid).

International issues with the country are numerous given the Iraq War of 2003. One issue would be with millions of Iraqis that have fled conflict with a majority of IDPs taking refuge in nearby Syria and particularly Jordan with other diaspora populations fleeing to Iran, Turkey, and other Western countries such as Norway, Sweden, the UK, and the US. Of course the ongoing conflicts between the Syrian government and rebels have further displaced diaspora communities in addition to creating further international havoc. Iraq also lacks a distinct maritime boundary with neighbouring Iran, which deepens Iraqi naval woes given that there is already limited shore on the Persian Gulf. The Shatt Al Arab waterway known as the Arvand Rud in Iran has typically been the focus and centre of the maritime disputes. The Kurds in the northern regions of Iraq also have been a concern for neighbouring Turkey, Iran, and Syria of which all three have Kurdish populations.

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<sup>37</sup> <https://www.cia.gov/library/publications/the-world-factbook/geos/iz.html> (Last Retrieved: June 1, 2013).

### ***Kuwait:***

To the south of Iraq is Kuwait, which is a country that maintains more shoreline than its northern neighbour on the Persian Gulf. The current political boundaries of Kuwait fell under the jurisdiction of the political boundaries of Iraq prior to independence, which was under Ottoman rule for centuries. During this time, the areas which composed Kuwait were never truly regarded as significant areas and consequently there was a lack of attention to such areas in favour of other cities that exist in current Iraq such as Karbala, Baghdad, and Arbil. Moreover, similar to Iraq, Kuwait never existed in history prior to its independence especially considering that even the tribal populations inhabiting the area did not have any formal political relations with any entity. With the expansion of colonial powers however and the waning influence of the Ottoman Empire, Kuwait became more important as the British Empire gradually extended their influence into the region and elevated the Al Sabah family to ruling status. The borders between Iraq and Kuwait were drawn in this period and were specifically designed to limit the Iraqi access to the Persian Gulf. British maintenance continued until 1961 when Kuwait was declared an independent state and while the British authority lessened in the country, the hydrocarbon exportations increased, pushing Kuwait down a path of rentierism. Hydrocarbon production and output was relatively steady until 1990 when Iraq under the Baath regime invaded Kuwait. The First Persian Gulf War ensued and concluded with the expulsion of the Iraqis under a US-led UN coalition that reinstated the Al Sabah family alongside the re-established elected legislative bodies. The elected bodies act as a parliament but are under significant sway from the royal family. Nonetheless, Al Sabah rule is being increasingly met with a growingly aggressive and assertive parliament. In 2010 uprisings around the Arab world inspired Kuwaitis without citizenship, known as “*bidoons*”<sup>38</sup>, to demonstrate against the government calling for equal treatment and benefits that are granted to recognized Kuwaiti nationals<sup>39</sup>. Among the calls for equality were the right to Kuwaiti citizenship, job opportunities, and oil revenue benefits (Ibid). Corruption had also been denounced by follow-up demonstrations that continued deep into 2011 and were mainly comprising of youths. The prime minister and his cabinet were specifically targeted on the grounds of facilitating corruption, which led to the eventual dismissal of the prime minister through political manoeuvring of opposing legislators.

<sup>38</sup> “*Bidoon*” literally translates to “without”, referencing the lack of citizenship to an Arab state of residence.

<sup>39</sup> (No Author). (2012). “Kuwait Police Crackdown on Stateless Protests” in *Al Jazeera*. Available online: <http://www.aljazeera.com/news/middleeast/2012/01/201211420266902157.html> (Last Retrieved: January 14, 2012).

Kuwait, as mentioned before, is a geographically small country and hosts a relatively small population of around 2.7 million residents about half of which are Kuwaiti nationals<sup>40</sup>. The population growth is low at slightly above 1% (Ibid) but given the small size of the country and the amount of the residents, a low growth rate is unsurprising. Majority of the population are between two age groups, with half of the population being in the 25-54 years of age and a quarter of the population being between 0-14 years of age (Ibid). The group aging 55 and older number the remaining percentage at roughly 6.5% (Ibid).

However, despite an unimposing geographic size with a low population Kuwait more than compensates with immense petroleum production and exportations. Petroleum reserves under Kuwaiti boundaries place the country at holding around 7% of the total world reserves with an estimated 102 billion barrels<sup>41</sup>. In 2011 crude oil production levels were at 2.682 mbpd with exports around 1.5 mbpd (Ibid). Naturally, the imports of crude oil would be unnecessary and remain at 0 bpd (Ibid). Refined petroleum production figures stood at 902,000 bpd from 2008 and have since increased, but refined petroleum consumption has remained about a third of the figure with 2011 consumption being around 339,000 bpd (Ibid). Exports of refined petroleum were approximately the remaining two-thirds with imports standing at 0 bpd (Ibid). Natural gas production since 2010 has been 11.73 billion cu m with the consumption being 12.62 billion cu m in the same year, naturally to make up for the difference 890 million cu m of natural gas was received; there were no additional exports (Ibid). Proven reserves of natural gas were substantial given the size of the country with 2012 figures estimating 1.798 trillion cu m (Ibid). Needless to say, Kuwait is an illustrative example of a rentier state in terms of its state economy. The overwhelming majority of state revenue is determined on the prices placed on crude oil and natural gas. There also seems to me less direction steering away from rentierism given that Kuwaiti officials have committed to increasing crude oil production to 4 mbpd by 2020 (Ibid). Further evidence would be that spikes in global oil prices rose Kuwaiti government spending and revived the pre-existing stagnant economic situation, which promoted economic growth (Ibid). The oil windfall also naturally increased state budget expenditures as well as wage hikes for public sector employees. All along, steps towards economic diversification were not taken nor

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<sup>40</sup> <https://www.cia.gov/library/publications/the-world-factbook/geos/ku.html> (Last Retrieved: June 1, 2013).

<sup>41</sup> <https://www.cia.gov/library/publications/the-world-factbook/geos/ku.html> (Last Retrieved: June 1, 2013), [http://www.opec.org/opec\\_web/en/about\\_us/165.htm](http://www.opec.org/opec_web/en/about_us/165.htm) (Last Retrieved: June 1, 2013), and <http://www.eia.gov/countries/cab.cfm?fips=KU> (Last Retrieved: June 1, 2013).



present in Kuwait partly due to the fact that the Kuwaiti dinar value was very high and partly because of a particular business climate that created an unwillingness to pursue alternative investments (Ibid). Of course, this was coupled with the National Assembly combating the executive branch of the Kuwaiti government, which historically stifled economic reforms (Ibid). There are hints of government-sponsored economic redirection with the passing of an economic development plan in 2010 in excess of \$130 billion USD over the course of five years that would not only begin shifts in steering the country away from its rentier history but also encourage private sector growth and greater participation in the state economy (Ibid).

The GDP of Kuwait as of 2012 stood at \$173.24 billion USD up from the 2011 figure of \$156 billion USD and higher than the 2010 \$144.3 billion USD amount<sup>42</sup>. GDP per capita ppp was between \$45,800 and \$43,800 USD in 2012, \$42,400 USD in 2011, and \$40,300 USD in 2010 (Ibid). GDP by sector composition would be 42.3% industry, 57.5% services, and 0.2% agriculture (Ibid). Oil and gas related activities unsurprisingly dominate the services and industrial sectors but there is also a sizable market for construction materials, including cement, for recent building endeavours (Ibid). Water desalination and related services also have a niche within the Kuwaiti economy given that it is a desert country that must sustain its population (Ibid). The agricultural sector logically entails then that Kuwait would be capitalizing on its coastal position rather than its desert landscape to export fish, shrimp, lobster, and other marine life (Ibid). Exports in 2012 were at \$109.4 billion USD, over \$5 billion USD more from the previous year (Ibid). The largest export partners were South Korea at 17.7%, India at 15.3%, Japan at 13.7%, China at 9.6%, and the US at 8.4% (Ibid). Imports were less in cost than exports with \$24.1 billion USD reported in 2012 (Ibid). Most of the imports to Kuwait amounted to food, construction materials, vehicles, technology, and clothing with the US making up 12.4% of all imports, China at 9.7%, Saudi Arabia at 8.4%, South Korea at 6.5%, India at 6.4%, Japan at 6.2%, Germany at 5%, and the UAE at 4.3% (Ibid).

The military of Kuwait is a small and ineffectual force given the size of the country and its population. However, there are a large number of foreign presences in Kuwait that collaborate closely with the government to provide and preserve its security. This would of course be a deepened relationship after the liberation of its borders from the 1990 Iraqi invasion. The major

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<sup>42</sup> <https://www.cia.gov/library/publications/the-world-factbook/geos/ku.html> (Last Retrieved: June 1, 2013) and <http://data.worldbank.org/country/kuwait> (Last Retrieved: June 1, 2013).

military collaborations would be with the US, UK, and France – all of which maintain presences in some form throughout the majority of the Arab states of the Persian Gulf. Kuwait has additionally purchased military equipment such as combat vehicles and aircraft from Egypt, Russia, and China. However, as noted before there is a lack of population that would be able to use such equipment and the training of Kuwaiti troops are lacking with regards to the usage of such hardware. This reason alone makes Kuwait increasingly reliant off of foreign military presence and assistance, which is certain to continue into the future.

Transnational issues with Kuwait are numerous. There is an ongoing dispute with Iran to negotiate a maritime boundary, which is also a problem held with its northern neighbour of Iraq. Essentially, figurative and imaginary boundaries have been drawn on a maritime map but do not necessarily reflect the reality in which states behave to respect them; frequently crossing over the margins or being accused of doing so. Slavery and trafficking of all kinds also exist within Kuwait, with forced labour and involuntary prostitution being to most commonly cited forms of bondage. While many workers do initially arrive to the country for the purpose of legitimate services, some eventually become subject to forced labour, typically abused by the very sponsors that hosted the visa procedure in the first place. Unfortunately, Kuwait does not at present comply with any standard for the elimination of such practices and has not taken any effective steps to doing so as well. Considering that Kuwait is a state that is dependent upon foreign services and labour, it would be in the best interest of the country to create a body in which victims are able to identify their abusers without fear of reprisal so that such individuals and cruel practices are eventually eradicated. Surely, the continuing security and reputation of the country would benefit from implementing standards to protect all their inhabitants.

### ***Saudi Arabia:***

Saudi Arabia was established in 1932 by Abdelaziz bin Abdulrahman Al Saud after a campaign that unified much of the Arabian Peninsula following a decline in Ottoman Empire dominion (Commins 2012: 135). The country never existed in history prior to 1932, which can be evidenced through various channels such as the lack of recognized political relations with other countries, although there are domestic Saudi Arabian arguments claiming existence from

1744 to 1818 as the Emirate of Diriyah<sup>43</sup> as well as 1818 to 1891 as the Emirate of Najd<sup>44</sup> (Commins 2012: 63). However, the Ottoman Empire existed from 1453 to 1923 with the Arabian Peninsula coming under the boundaries of its empire. Naturally, the Ottoman Empire regarded any entity within its boundaries that declared independence from the sultan or empire as rebellious, which concluded with the absolute destruction of the Emirate of Diriyah following the Ottoman-Saudi War (Ibid: 63). The subsequent Emirate of Najd was an area in which there was constant fighting between the Ottoman Empire<sup>45</sup>, the Emirate of Jabal Shammar<sup>46</sup>, and other Arabian tribes (Commins 2012: 135). Nonetheless, following in the monarchical traditions established by Abdelaziz Al Saud, the male descendants have inherited the territory gained in the Arabian Peninsula campaign that was concluded in 1932 in the political structure of a monarchy (Ibid). There is no constitution of Saudi Arabia but has instead declared the Quran as an equivalent source with the implementation of Sharia law to be adhered to by the population. In 1992 the Basic Law of Saudi Arabia was supplemented and acts in the closest sense to the function of a constitution, but is purposely titled “Basic Law” rather than “Constitution” and came long after the monarchy was established (see Appendix B).

Since the inception of the Kingdom of Saudi Arabia, there has been widespread discontent with the ruling family. Previously authoritative Arabian families and tribes that ruled over independent emirates and kingdoms, such as in Hijaz and Jabal Shammar were co-opted into the precursor state of the Kingdom of Saudi Arabia. Moreover, the Wahhabi interpretation that was initiated by the Emirate of Diriyah created tensions with other Islamic interpretations such as with Shi’ism, which is still a tension that has yet to be resolved with the country. There have been a number of protests that have occurred in the country throughout its existence, with particular strains happening in 2010 with uprisings across the Middle East and North Africa that became known as the Arab Spring. Predominantly Shia demonstrators called for the release of detainees as well as the withdrawal of Saudi Arabian forces from neighbouring Bahrain under the Gulf Cooperation Council (GCC) Peninsula Shield Force (PSDF). Majority of Shias in Saudi Arabia are located in the eastern portion of the country, which is next to Bahrain. Protests though

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<sup>43</sup> Also known as the First Saudi State.

<sup>44</sup> Also known as the Second Saudi State.

<sup>45</sup> The Ottoman Empire in this case is also referring to the Eyalet of Egypt under Muhammad Ali Pasha, which was *de jure* a part of the Ottoman Empire until 1914 despite acting in absolute autonomy.

<sup>46</sup> Also known as the Emirate of Al Rasheed, which previously lost territory traditionally in its boundaries to the Al Saud tribe from the Emirate of Diriyah.

were not limited to the Shia population as there were Sunni demonstrations in various parts of the country<sup>47</sup>. The response of the King in 2011 was the announcement of a series of benefits to Saudi citizens that included affordable housing, salary increases for government workers, greater political participation in the political system of the country, education reforms, and unemployment benefits (Ibid). However, purchasing state peace through incentives is not a solution to any issue and political participation in an absolute monarchy will always be limited given its structure. Unexpectedly, anti-government demonstrations expanded across the country with Shia protestations escalating into violence in 2012 (Ibid).

Despite the strife, Saudi Arabia has remained a top global exporter of oil and gas, which is responsible for the majority of state funds that sustain its inhabitants. The population of Saudi Arabia in 2013 has been estimated at close to 27 million (Figure 1.13) inclusive of around 5,576,076 as expatriates<sup>48</sup>. The age groups that are most populous in the country would be the 25 to 54 years set consisting of 44.8% of the population, 15 to 24 having 19.6%, and 28.2% being up to the age of 14 (Ibid). The economy is based primarily on its oil and gas sectors as well as associated industries, which is expected to a degree given that the country is in possession of over 15% of global proven petroleum reserves that certainly accounts for the massive generation of state wealth (Ibid). The GDP ppp in 2012 was an estimated \$740.5 billion USD, which was up from the previous year of \$698.8 billion USD, and was up from the 2010 estimated value at \$652.8 billion (Ibid). The GDP per capita ppp was \$25,700 USD in 2012, which was up from the 2011 value at \$24,800 USD, and was up from the 2010 value at \$23,700 USD. The GDP sector composition is industry at a reported 67%, services at 31.1%, and agriculture at 2% (Ibid). The low agricultural composition to the GDP sector is obvious given the lack of arable land in Saudi Arabia considering nearly the entire country is desert and has resulted in a food dependency. The industries and services composition while mainly being concerned with oil and gas production, petroleum refining, and associated petrochemical industries also have ground in construction materials production such as cement, metals, ship repair, and aircraft repair (Ibid). Economic diversification is low nonetheless with strict government control over major industries and many profitable areas of the economy being divided amongst the royal family and their counterparts.

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<sup>47</sup> Johnson, M. (2011). Interview with Dr. Mai Yamani. "Saudi Arabia's King Abdullah's \$37 Billion Benefits Package" in *BBC*. Available online: <http://www.bbc.co.uk/news/business-12570842> (Last Retrieved: May 22, 2011).

<sup>48</sup> <http://data.worldbank.org/country/saudi-arabia> (Last Retrieved: June 1, 2013) and <https://www.cia.gov/library/publications/the-world-factbook/geos/sa.html> (Last Retrieved: June 1, 2013).

Despite the statistics of state wealth and comparatively small domestic population, the government is struggling with high unemployment, which has been reported by the government to be less than 11% but has been estimated by other organisations to be upwards of 25% (Ibid). The country also maintains high levels of water and energy consumption.

Exportations amounted to an estimated \$381.5 billion USD in 2012, which was higher than the previous 2011 value of \$364.7 billion USD with majority of the commodities exported being petroleum and its associated by-products<sup>49</sup>. Major export partners in with the country in 2011 are Japan at 13.9%, China at 13.6%, USA at 13.4%, South Korea at 10.2%, India at 7.8%, and Singapore at 4.8% (Ibid). Indeed, there is a growing presence of an Asian customer base over previously established relations with Western countries. Imports were priced at around \$136.8 billion USD in 2012 and \$120 billion USD in 2011 with the majority of commodities being machinery, foodstuffs, and textiles (Ibid). The main import partners to the country in 2011 were China at 12.8%, USA at 11.9%, Germany at 7.1%, South Korea at 6%, Japan at 5.6%, India at 4.9%, and Italy at 4.1% (Ibid).

Crude oil production in the country was an estimated 10 million bpd in 2012 with exportations being around 6.88 million bpd in 2009<sup>50</sup>. Proven reserves of crude oil are estimated at a staggering 264.4 billion bbl from 2013 (Ibid). Natural gas production is 99.23 billion cu m from 2010 estimates with consumption being the entire production (Ibid). Natural gas proven reserves are 478.4 million metric tonnes from 2012 estimations (Ibid). Refined petroleum production in 2010 was 1.914 million bpd with consumption rates being 2.817 million bpd in 2011 (Ibid). The refined petroleum exports were around 951,000 in 2008 with importations in the same year being 160,100 bpd (Ibid)<sup>51</sup>.

Although not in possession of a river, there are coastlines on the Red Sea as well as the Persian Gulf. Shipping routes are of vital strategic importance to these bodies of water and have significant Saudi Arabian interests that are tied through the Suez Canal and Strait of Hormuz. Protecting the geographic integrity of the country would be the military, which is comprised of the Royal Saudi Land Forces, Royal Saudi Naval Forces, Royal Saudi Air Force, Royal Saudi Air Defence Forces, Royal Saudi Strategic Rocket Forces, and the Saudi Arabian National

<sup>49</sup> <https://www.cia.gov/library/publications/the-world-factbook/geos/sa.html> (Last Retrieved: June 1, 2013).

<sup>50</sup> <https://www.cia.gov/library/publications/the-world-factbook/geos/sa.html> (Last Retrieved: June 1, 2013), <http://www.eia.gov/countries/cab.cfm?fips=SA> (Last Retrieved: June 1, 2013), and [http://www.opec.org/opec\\_web/en/about\\_us/169.htm](http://www.opec.org/opec_web/en/about_us/169.htm) (Last Retrieved: June 1, 2013).

<sup>51</sup> For additional oil and gas statistics see Figures 1.14 – 1.19.

Guard<sup>52</sup>. There is no conscription for the military but the minimum age requirement for enlistment is 18 (Ibid). According to 2010 estimates the amount of population reaching military age annually is 261,105 for men and 244,763 for women (Ibid). Military expenditures have not been reported by the state each year but were 10% of the GDP in 2005 (Ibid and Figure 1.20).

Being a regional power in the Middle East, Saudi Arabia is certainly not without its international disputes. On the Arabian Peninsula, Saudi Arabia has had historically tense relations with Yemen, which fought against the Al Saud conquest of the Arabian Peninsula that ended with the Treaty of Taif in 1934. Saudi Arabia has created a concrete barrier following the Treaty of Jeddah in 2000, in which Saudi Arabia and Yemen agreed on a demarcated boundary between the two countries. However, completion of the reinforced structure has been intermittent with the Yemenis fiercely opposing construction of the barrier and cross into territory deemed Saudi Arabia. Conventional conflict erupted between the two countries notably in 2009, when Saudi Arabian forces and Houthis from Yemen clashed<sup>53</sup>. Other international issues concerning Saudi Arabia would be with human trafficking. Given the strategic geography of the country being a hub between Europe, Asia, and Africa coupled with the image of an oil-rich kingdom, Saudi Arabia struggles with containing and addressing trafficking routes. The country is categorized as not fully complying with minimum standards for the reduction of human trafficking and is not currently working towards a productive solution to the matter either<sup>54</sup>. Indeed, such practices as forced labour and withheld salaries add degrees of complexities to the situation (Ibid), but nonetheless it would be in the greater interests of Saudi Arabia to constructively address human trafficking. While some efforts have been made from 2009 such as the implementation of an anti-trafficking law in addition to legal conviction, governmental prosecution to punishing offenders has been arbitrarily applied and selective (Ibid). One such benefit can at least be international recognition for the country being responsible and effective enough to resolve such abhorrent practices. Moreover, by focusing energies on the elimination of human trafficking, Saudi Arabia would strengthen its conviction in being a conscious and

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<sup>52</sup> <http://www.globalsecurity.org/military/world/gulf/sa.htm> (Last Retrieved: June 1, 2013) and <https://www.cia.gov/library/publications/the-world-factbook/geos/sa.html> (Last Retrieved: June 1, 2013).

<sup>53</sup> Yamani, M. (2009). "Saudi Arabia Goes to War," in *The Guardian*. Available online: <http://www.theguardian.com/commentisfree/2009/nov/23/saudi-arabia-yemen-houthi-war> (Last Retrieved: November 23, 2009) and (No Author). (2009). "Iran Military Denounces Saudi 'Killing' in Yemen" in *Reuters*. Available online: <http://www.reuters.com/article/2009/11/17/idUSDAH749814> (Last Retrieved: November 17, 2009).

<sup>54</sup> <https://www.cia.gov/library/publications/the-world-factbook/geos/sa.html> (Last Retrieved: June 1, 2013).

responsible country. Another international issue would be with refugees and IDPs that have been historically maintained by Palestinians that have fled the Mediterranean region (Ibid). With ongoing regional tensions such as the civil war in Syria, the number of IDPs has increased (Ibid). Responsible management and sustainment of refugees and IDPs remains an issue for the kingdom to resolve effectively. Additionally, there are apparently continuing discussions on a maritime boundary with Iran considering that it is another regional power in the Middle East. Ongoing tensions with Iran of course far surpass a delineation of Persian Gulf maritime boundaries and are more concerned with other issues such as the nuclear program of Iran as well as the potential influence the country might project into the Saudi Arabian Shia population.

### ***Bahrain:***

Off the shores of Saudi Arabia in the midst of Persian Gulf waters would be the island country of Bahrain. Its independence while claimed by the current kingdom to exist since the later 1700s was in fact in Iranian possession until it was relinquished to the British from which it gained independence in 1971. Evidence of Iranian dominion and influence continues to the present with the local Arabian dialects mimicking heavy Persian accents in addition to the usage of Persian terms in daily vocabulary. The territory nonetheless was historically a rich area, particularly during the time under British influence in which pearling was a commodity high in demand from the industrialized world. Once pearling was in global decline however natural gas was discovered and replaced pearls as the state generator of funds. Tensions arose in Bahrain however given the oppressive Sunni minority rule over the Shia majority. A tipping point occurred in the 1990s in which Shia activists launched low level insurgency against the kingdom, calling for greater equality with the Sunni population. Up until this time, the Sunni kingdom imported foreign Sunni nationals and granted some of them Bahraini citizenship, a privilege to which not all Shias were presented. Part of this would be due to the extreme minority of Sunnis in comparison to Shias inhabiting the island. The imported populations were not well-received by the local Shias and were utilized as security forces to quell the demonstrations and uprisings against the Al Khalifa monarchy. Attempts in 1999 were initiated by the Al Khalifas with the succession of King Hamad bin Isa Al Khalifa to placate relations with the Shias and to improve the perception of the kingdom within the large community. However, the moves were not received without a suspicious sentiment and were evidenced with the boycotting of elections in

2002. Perceiving that political victories from elections to the legislative and municipality branches would give a strengthened position to the Shias in the country, Shia parties participated in elections in 2006 as well as 2010.

Following the demonstrations in the Arab world, the Bahraini government feared growing momentum in the movements against the kingdom and began violent repression against its citizens. A state of emergency was declared by the kingdom and a new set of rules were placed on the population that included the banning of mass public gatherings and to label offenders as being civilly disobedient. The PSDF from the GCC was additionally deployed to Manama, composed of mainly Saudi Arabian and Emirati troops for the purpose of protecting critical infrastructure as well as the element of fear for the toppling of the Al Khalifa monarchy. Protesters were subsequently massacred and a lack of media coverage ensued to a point where events such as the Formula One racing in Bahrain were being broadcasted over international news while the grievances of the demonstrators was essentially ignored. Despite the combative efforts by the PSDF, protests have continued into 2013 with occasional clashes occurring throughout the months. In an effort to satisfy demonstrators and coax the population to a state of calmness an inquiry was formed to address issues occurring from the time of the initial protests. The king endorsed the findings of the inquiry, which was reached within 5 months of its formation and concluded that reforms would be made throughout the infrastructure of the country such as policing procedural reform, rehiring dismissed workers, rebuilding religious sites that were damaged and/or destroyed over the course of the protests, and establishing a compensation fund organisation for other damages done to the population by governmental forces. But many in the population do not believe the rhetoric of the government and there have been no attempts as of 2013 to act in accordance with the conclusions of the findings. Instead, brutal crackdowns and political oppression have ensued, which were covered by some media outlets. Torture, kidnapping, and rapes were all reported in the country, which have yet to reach a definite end. A National Dialogue was established in February 2013 with the purpose of mediating between the government and the opposition but have yet to reach amicable terms at the time of this publication.

With the frequency of demonstrations in the country, it is important to note statistics that make up the country. Over half of the population at 54% is described as non-Bahraini by the



government with 46% being described as Bahraini<sup>55</sup>. Of course, such governmental statistics can be deceiving with the vagueness of what constitutes “Bahraini” and what does not; but this is an issue expressed throughout all Persian Gulf countries. Languages spoken all through the island would be Arabic, English, Hindi, Persian, and Urdu (Ibid). The major religious denominations would be Islam at over 80% with Christians and other minorities representing close to 20% of the beliefs reported (Ibid). An obvious note would be that the Sunni-Shia chasm is not explicitly expressed by the government or able to be accurately gathered by any other means except for the general knowledge that Shias remain a majority interpretation of the Muslim faith.

Despite the minute size of the country, Bahrain has been host to violent outbreaks more frequently than some of its other regional neighbours. Such ferocity is limited to a meagre total population of 1,281,332 (Ibid). It is only logical that a small desert island would not be able to support a massive population without significant infrastructural strength, which is lacking in Bahrain. The age groups represented within the population would be 56.4% of the people being within the 25-54 group, 0-14 comprising 20%, 15-24 comprising 15.9%, and the remainder 5.2% being 55-64 years of age (Ibid). Reported unemployment however has skyrocketed with over 30% of the population being jobless prior to the demonstrations (Ibid).

The economy of Bahrain has been reliant off of hydrocarbons since its discovery of natural gas following the global decline in demand for pearls. The 2012 GDP rests at \$32.44 billion USD which was a rise from the \$31.81 billion USD in 2011 and the \$31.16 billion USD in 2010<sup>56</sup>. The GDP ppp per capita would be a solid \$28,200 USD for the past three years, but statistics as noted before can be deceiving especially taking into consideration the deteriorating conditions in which majority of the population lives in (Ibid). The 2012 GDP by sector composition would be 50.7% industry, 48.9% services, and 0.4% agriculture (Ibid). Exports of Bahrain in 2012 amounted to \$20.95 billion USD, which was up from the \$19.91 billion in 2011 (Ibid). Export partners with Bahrain were Japan, Saudi Arabia, the UAE, and Qatar to name a few (Ibid). Imports in 2012 amounted to \$14.95 billion USD, which was a higher figure than the \$12.11 billion mark of 2011 (Ibid). Major import partners as of 2011 would be with Saudi Arabia at 28.2%, USA at 10.5%, China at 7.6%, Brazil at 6%, India at 5/7%, Germany at 4.8% and Japan at 4.1% (Ibid). Of course, the petroleum industries and services dominate the GDP but it

<sup>55</sup> <https://www.cia.gov/library/publications/the-world-factbook/geos/ba.html> (Last Retrieved: June 1, 2013).

<sup>56</sup> <https://www.cia.gov/library/publications/the-world-factbook/geos/ba.html> (Last Retrieved: June 1, 2013) and <http://data.worldbank.org/country/bahrain> (Last Retrieved: June 1, 2013).

should be recognized that Bahrain has taken significant steps to diversifying its economy. Notable instances would be with the implementation of Gulf Air transportation services, which was a precursor to other Arabian airlines such as Emirates Airlines and Etihad Airways. Multinational investment and banking firms also were seated in Manama prior to the 1990s tensions and served as a model for other Persian Gulf states. Islamic banking has recently begun to become a financial focus for the country and it directly competes with other leaders in the field such as Malaysia. Aluminium smelting has also been an industry that has proved beneficial to Bahraini economic diversification and profit, which in turn also has served for other countries to follow in its experience; the aluminium industry is the second largest area of Bahraini economy after petroleum. Naturally, as an island Bahrain capitalizes on its geography to promote ship-related services such as shipbuilding and repairs, which also relate to the hydrocarbon harvesting done by multinational corporations.

In spite of the economic diversification taking shape in Bahrain, oil and gas must be addressed when describing the country due to its pivotal importance as the backbone of the state economy<sup>57</sup>. Crude oil production in 2012 was 44,800 bbl per day with crude oil exports being 152,600 bbl per day in the same year<sup>58</sup>. Proven crude oil reserves were 107.2 million bbl as of 2013, which are posited to contribute to further Bahraini economy (Ibid). Refined petroleum production in 2012 was 270,800 bbl per day with the consumption of such materials being a minimum of 51,450 bbl per day since 2011 and exports reaching 226,000 bbl per day in 2012 (Ibid). Natural gas proven reserves in contrast with the crude oil reserves were in excess of 92.03 billion cu m (Ibid). The Bahraini oil and gas industries are markedly smaller in comparison to the neighbouring giants of the region such as Kuwait, Saudi Arabia, Qatar, and the UAE but the revenues gained still make up the majority of governmental income at reportedly over 70% (Ibid). Considering it is the majority wealth generated by the country and is a small amount in comparison with wealthier GCC members it is no wonder Bahrain started early diversification of its economy. Regardless of such strides and income however, much of the population remains poor especially with consideration towards the strength of the Bahraini dinar as was evidenced by the GDP ppp per capita.

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<sup>57</sup> <http://data.worldbank.org/country/bahrain> (Last Retrieved: June 1, 2013).

<sup>58</sup> <http://data.worldbank.org/country/bahrain> (Last Retrieved: June 1, 2013) and <http://www.eia.gov/countries/country-data.cfm?fips=BA> (Last Retrieved: June 1, 2013).

There is significant evidence that the military of Bahrain is an ineffectual force in need of greater GCC and foreign assistance when reviewing the ongoing protests taking place in the country. The fact remains that it is still a weak entity that is constantly reliant off of foreign support, not only from the PSDF but also with imported security that acts both within and out of the public sector. This would be due in part to the fact that majority of the population is Shia and would refuse by enlarge to combat other Shias protesting against Sunni dominion. Imports therefore are commonly found from countries such as Pakistan and territories such as the West Bank and Gaza Strip. A major foreign presence on the island to note would be the US Naval 5<sup>th</sup> Fleet stationed at Manama, which has direct permission from the Bahraini government to operate from the city.

Intercontinental issues of course would be with Iran and the Bahraini fear of Iranian expansion into its borders. Frequently, the country has accused Iran of attempted interference with its internal affairs chiefly on the grounds that it is a Shia state supporting Shia discontent with the Sunni rule as well as its historical and cultural claims to Bahrain. With the advent of protests in Manama, Bahrain also became heavily involved with the presence of the Peninsula Shield composed of Saudi Arabian and Emirati soldiers. Consequently, Bahrain has extended out of its borders to imploring regional assistance that can be interpreted as a transnational issue on the grounds of other countries actively interfering with the notion of state stability. While such an issue is not an aggressive state stance as one taken contrary towards Iran, the majority of the population in Bahrain as Shia do harbour negative attitudes towards the two countries as the Peninsula Shield actions can be viewed as unjust and despotic.

Considering that Bahrain is geographically close to strategic Middle Eastern petroleum reserves in the Persian Gulf from which much of the global oil and gas supplies must pass through, Bahrain is a country that has continuous strategic significance. Even the outcome of the continuing protests are a part of a larger portrait with the Iranians having much to gain with a Shia dominant population in power off the coast of Saudi Arabia and the Saudis in turn as well as Western powers inclusive of the US having significant interests to sustain with a Sunni power in place.

### ***Qatar:***

Qatar is a country that shares its borders with Saudi Arabia, being a jugged landmass from the Arabian Peninsula. Formerly within the claimed boundaries of the Ottoman Empire, Qatar has been managed by the Al Thani royal family for over a century. Like many other countries in the Persian Gulf, Qatar was a British protectorate until gaining its independence in 1971. Qatari history has always been closely tied with its economy given the geographic positioning of the country in a desert setting. The past two decades in particular have proven avant-garde in the direction of the country considering that in the 1980s and 1990s the Qatari Emir ruling since a year after his country gained independence was siphoning oil and gas revenues for personal gain at the cost of crippling the state economy and general population well-being. Once his successor, Hamad bin Khalifa Al Thani, came to power in 1995 the direction of the economy and country changed drastically. Pre-existing border disputes with Bahrain and Saudi Arabia were resolved and since 2001 the state focus changed to developing the country such as improving economic infrastructure and education. By the time of the demonstrations spreading throughout the Arab world, Qatar witnessed relative calm compared to other countries such as Egypt, Syria, and Bahrain. Rather, Qatar seemed to be leading the GCC and Arab League to assist in overthrowing other dictatorial regimes such as in Libya. While it was criticized in turn for unbalanced media coverage from its Al Jazeera network and being of monarchical structure itself, Qatar has certainly demonstrated that despite its small size it has the capacity to project effective international political power.

The population of Qatar is in the early stages of growth given the emerging economic situation in the country. The total population as of 2013 was around 2,042,444 and is extremely internationalized with Arabs, Indians, Pakistanis, and Iranians comprising the most nationalities<sup>59</sup>. Nearly 70% of the reported population is between the ages of 25 and 54 (Ibid) with the 0-14 years of age group maintaining 12.5% of the population and the 15-24 group having 13.9% (Ibid). Unemployment is low in the country and one of the lowest in the world with an apparent 1.6% being jobless, in part credited to the small population and growing economy (Ibid).

At the time of colonization, Qatar was one of the poorer emirates of the British protectorates. Like Bahrain, Qatar generated much of its early income via pearling (Ibid).

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<sup>59</sup> <https://www.cia.gov/library/publications/the-world-factbook/geos/qa.html> (Last Retrieved: June 1, 2013).

Eventually, like many of its regional neighbours in the Persian Gulf, Qatar encountered oil and natural gas deposits within its borders that were projected to contribute significant income to the state economy and centralized governmental authorities. Qatar GDP in 2012 was \$189 billion USD, a rise from the previous year of \$177.8 billion USD, an additional rise from the 2010 figure of \$155.8 billion USD<sup>60</sup>. GDP ppp per capita in 2012 was the highest in the world at \$102,800 USD, a significant increase from the preceding year at \$88,300 USD and \$77,300 USD before that (Ibid). The statistics are misleading though since not every individual in Qatar receives a six-figure income, it is simply a matter of averaging immense wealth with a small population. GDP by sector composition in 2012 would be industry at 77.8%, services at 22.1%, and agriculture at 0.1% (Ibid). Industries dominating Qatari economy would of course be liquefied natural gas (LNG), crude oil, and related productions but other significant contributions would be aluminium smelting, steel refining, construction materials inclusive of cement, banking, education, and nautical vehicle repair (Ibid). Industrial growth rate is the first in the world at a staggering 27.1% (Ibid). Exports are in excess of \$117.7 billion USD as of 2012 with top export partners being Japan at 25.7%, South Korea at 17.7%, India at 9.6%, Singapore at 6.3%, and the UK at 6.2% (Ibid). Imports cost far less for Qatar, amounting to \$23.49 billion USD in 2012, down from the previous year of \$26.93 billion USD (Ibid). The main commodities would be machinery and food (Ibid). Main import partners from 2011 would be the US at 12.7%, the UAE at 12.3%, Saudi Arabia at 9.3%, the UK at 6.2%, China at 5.4%, Germany at 5.2%, Japan at 4.6%, France at the same percentage, and Italy at 4.5% (Ibid).

Due to the meteoric growth of Qatar, the global financial crisis stemming from 2009 did not affect the country as much as other countries. Qatari officials invested heavily in the domestic banking sector and additionally made significant foreign investments. For example, The Shard in the London financial district, which was initially conceived as a symbol of Western capitalism, was purchased by the Qataris. Following such investments was an increase in oil and gas prices that in turn directed funds towards the state and reinvigorated growth. Qatar particularly benefited from the gas sector, from which it has one of the largest fields in the world – the North Field, which is shared with Iran<sup>61</sup> across the Persian Gulf<sup>62</sup>. Natural gas proven

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<sup>60</sup> <https://www.cia.gov/library/publications/the-world-factbook/geos/qa.html> (Last Retrieved: June 1, 2013) and <http://data.worldbank.org/country/qatar> (Last Retrieved: June 1, 2013).

<sup>61</sup> The North Field is known as the South Pars Gas Field in Iran and possesses not only natural gas but also crude oil, albeit the latter in minority in comparison to the former.

reserves located mainly in this gas field are an estimated 25.2 trillion cu m from 2012 statistics, which is at present more than 13% of the world reserves and the third largest reserve in the world (Ibid). The immense reserves total natural gas exports to 113.4 billion cu m from 2010 estimates with a consumption rate of 21.8 billion cu m in the same year (Ibid). Production in the gas sector was additionally 116.7 billion cu m in 2010 (Ibid). Crude oil alternatively while not as massive in reserve as natural gas amounted to 25.57 billion bbl from a 2013 estimate and had a 1.631 million bbl per day production rate in 2011 (Ibid). But it should be noted that crude oil can be harvested and exported for at least an additional 50 years before rates envelop the entirety of the reserve (Ibid). The profits gained from the sales of oil and gas make up more than half of the yearly GDP making up around 70% of government revenues (Ibid).

Indeed, oil and gas has enabled the country to become first in the world as the highest per capita income destination with the lowest unemployment rate, but it is well-known that the materials are not the sole source of income for the country. A notable instance of economic diversification would be in the education sector with a host of international universities building campuses in Education City on the outskirts of Doha<sup>63</sup>. Universities include Carnegie Mellon University in Qatar, Georgetown University School of Foreign Service in Qatar, HEC Paris, Northwestern University in Qatar, Texas A&M University at Qatar, University College London Qatar, Virginia Commonwealth University in Qatar, and Weill Cornell Medical College in Qatar (Ibid). Part of the impact of having Western institutions such as the aforementioned in a traditionally conservative environment would be that in theory the culture would gradually liberalize but of course in practice this may not be the case. There have criticisms on multiple fronts directed at Education City, one being that Qatar in a sense can be viewed in to “buying prestige” with big name universities. Moreover, some of the universities such as the Weill Cornell Medical College in Qatar are not equitable degrees with Cornell University in New York, which even has separate admission standards than the Qatari campus association signifying that there is a difference between the Ivy League institution and the Education City one. Additionally, the student body greatly differs between the campuses abroad and the ones in Qatar but this serves at present as a beneficial quality. Many GCC students graduating from high

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<sup>62</sup> <https://www.cia.gov/library/publications/the-world-factbook/geos/qa.html> (Last Retrieved: June 1, 2013), <http://data.worldbank.org/country/qatar> (Last Retrieved: June 1, 2013), <http://www.eia.gov/countries/country-data.cfm?fips=QA> (Last Retrieved: June 1, 2013) and [http://www.opec.org/opec\\_web/en/about\\_us/168.htm](http://www.opec.org/opec_web/en/about_us/168.htm) (Last Retrieved: June 1, 2013).

<sup>63</sup> <http://www.qf.edu.qa/education> (Last Retrieved: June 1, 2013).

school choose to study in Education City for different reasons but commonly cite proximity of being closer to home under the assumption of getting a world-class education. Therefore, even if the educational quality is not the same as abroad from a business aspect all the currently existing campuses are profitable investments that simultaneously boost the image of the country. Efforts in creating the site are accredited to Sheikha Mozah bint Nasser Al Missned, the wife of the former Qatari Emir and mother to the current Emir.

Qatar also has made a surprisingly successful bid to host the World Cup in 2022. International shock was expressed on copious grounds. Firstly, the climate of the country during World Cup summer seasons is extremely hot and humid, certainly unaccommodating to the average tourist. Another reason would be that the country is still in the midst of developing its infrastructure, which has yet to create a soccer stadium large enough to support World Cup masses. While there are plans to create an architectural masterpiece stadium that would have features such as air conditioning, the construction is not yet complete. More hotels are also needed to keep all the masses coming to the World Cup event. Even though Qatar is aware of such issues and is confident that it will be able to complete all the required projects on time, which is inclusive of additional transportation developments such as a metro system, light rail system, and causeway linking Qatar to Bahrain past countries have experienced incredible difficulty in meeting lesser requirements. Optimistically, a new international airport is projected to open by the end of 2013 with an annual passenger capacity of 24 million so that may be a sign as to the Qatari commitment to building its infrastructure but then an issue of compromising quality in favour of time constraints remains.

The Qatari military is small and requires no mandatory military service from its population. In spite of this, Qatar spends a sizable portion of its GDP on military purchases, upwards of 10% since 2005<sup>64</sup>. Tensions within the country are low though and Qatar does not at the moment have significant international disputes that would require heavy military backing so there is no real need for an imposing force in any case. Moreover, foreign presence is stark with the US maintaining the Al Udeid Air Base in Doha (Ibid). Essentially, the military assistance of the US is present should Qatar ever require or need its assistance. This has been in place since Operation Desert Storm in 1991 (Ibid). But it should be noted that future tensions could escalate

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<sup>64</sup> <http://www.globalsecurity.org/military/world/gulf/qatar-air-force.htm> (Last Retrieved: June 1, 2013).

with Iran over the sharing of the gas fields in the Persian Gulf due to the vagueness and at times arbitrariness of dividing maritime lines indicating state boundaries.

### ***United Arab Emirates:***

The United Arab Emirates (UAE) was formed in 1971 with the merging of six emirates to form a federal union. Abu Dhabi, Ajman, Dubai, Fujaira, Sharjah, and Umm Al Quwain were later joined in 1972 by Ras Al Khaimah, which completed the seven emirates that comprise the country. Prior to existing as the UAE and federation the emirates were a collective British protectorate known as the Trucial States<sup>65</sup> from 1820 (Commins 2012: 78) to 1971 (Commins 2012: 160). The territory had previously been in possession of Oman under the Al Bu Said sultanate but gradually had shifted to British control. The vast transoceanic empire of Oman had experienced a decline in power across its territory in dealing with invasions, rebellions, and trade issues. Moreover, the ruling Al Bu Said were concerned with the increasing aggression from the reported Franco-Persian relations that would use Muscat as a base to attack India. A strategic treaty was signed in 1798 between Oman and the British that would secure Al Bu Said rule while also keeping other foreign powers at bay. The British in turn benefited from the alliance by solidifying their reign in the Indian subcontinent (Ibid). However, forces that had troubled the Al Bu Said would also prove to be frustrating to the British as well. Piracy against the British East India Company in the Persian Gulf was widespread and such concern that the British Navy engaged in a series of campaigns against the raids in 1805, 1808 (Commins 2012: 73), and 1811. Despite the engagements between the British and the raiders, piracy was still affecting British interests in the region. Therefore, in 1819 a large scale fleet was launched in the Persian Gulf to deal with piracy once and for all (Commins 2012: 74). The campaign was successful and acted between both the Persian and Arabian shores of the waterway (Ibid). A General Treaty of Peace was imposed on sheikhs in the area and piracy had ultimately ceased operations against the British, of course maritime warfare was a separate issue and was still engaged for decades to come (Ibid). The significance of the General Treaty of Peace extends far beyond the namesake of the contact though. The 1820 signatory date is used as the establishment of the Trucial States in the Persian Gulf as a British protectorate. It also highlights and reveals the relationship the British had with the Omanis in distinguishing the Trucial States as separate from the sultanate.

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<sup>65</sup> The Trucial States were also referred to as the Trucial Coast, Trucial Coast of Oman, and Trucial Oman.



The Great Treaty of Peace additionally did not prevent sheikhs from arguing between each other as there were notable clashes between Abu Dhabi, Dubai, Sharjah, and Ras Al Khaimah.

In 1833 an upheaval between all the emirates ensued after the sheikh of Abu Dhabi was assassinated by his brothers Khalifa and Sultan ibn Shakhbut (Commins 2012: 84). Abu Dhabi, Dubai, and Sharjah were yet again vying for power in the region. The British however took advantage of the situation and proposed the Maritime Truce in 1835, which did not directly relate to the mainland issues between the sheikhs but did have the emirate of Dubai recognized as independent (Ibid). The Maritime Truce intended to keep traffic moving through the Straits of Hormuz, which was designed to proliferate British interests and also kept a mutually beneficial economic environment to all participants involved. A revision in 1839 included the banning of slavery, which was illegal in the British Empire and was dually targeting an economic staple of the area. Despite the reduction in oceanic trafficking, the practice was never fully eliminated although the British did take strides to further contain the practice inland (Commins 2012: 82 – 83). In 1853 additional modifications came to form the Treaty of Peace in Perpetuity, which was a particularly significant document in that it solidified British supremacy in the area (Peck 1986: 36). According to the Treaty of Peace in Perpetuity, all disputes between the sheikhs in the trucional system would be settled with British arbitration (Ibid).

The British oversight of the trucional system would not last however. In 1968 London announced that it would withdraw naval forces from the Persian Gulf by 1971 (Commins 2012: 192). Chronic budget issues coupled with a change in the political ideology of the ruling Labour Party in London turned colonial mind-set to an anti-colonial movement that was more geared on generating funds to the government rather than maintaining British presence abroad (Ibid). Plans for the formation of a new country that would be comprised of nine emirates were explored (Ibid). The Trucial States in addition to Bahrain and Qatar discussed potential developments to be unified under a single federation (Ibid: 193). Initially, Bahrain was the economic superior out of all the sheikhs but had competition from Abu Dhabi that had the potential to become the wealthiest of all emirates (Ibid). Favouring options for independence, both Bahrain and Qatar withdrew from discussions to become countries in their own right (Ibid). Thusly, seven emirates straddling the southern Arabian Peninsula were left to discuss a federation between themselves. An agreement in 1971 was reached between the six emirates of Abu Dhabi, Ajman, Fujaira, Sharjah, and Umm Al Quwain to form the UAE (Ibid). Ras Al Khaimah would join in 1972,

completing the seven emirate composition of the country (Ibid). The political structure of the UAE as a federation entails that a sheikh is appointed to each emirate and has the right to utilize power within the boundaries of the emirate. No other emirate may interfere with the affairs of another emirate and Abu Dhabi is appointed as the head of the federation. This is of course, a basic overview of the political structure and like all political systems is more complex when investigated comprehensively.

The population of the UAE is diverse, with a legacy of Persian and Omani empires existent from the diverse groups inhabiting the country. The globalization and early diversification of economy in the country propelled the UAE to sustain nearly 6 million inhabitants by 2013 estimates of which over half are expatriate makeup (Figure 1.21). The youthful composition of society places 0 – 14 years of age at 20.6% of the population, 15 – 24 at 13.8%, 25 – 54 at 61.5% with the remainder being 55 and over<sup>66</sup>. The GDP ppp in 2010 was around \$247.8 billion with the per capita being \$47,500; 2011 amounted to \$260.7 billion with the per capita being \$48,500 and 2012 generated \$271.2 billion with the per capita being \$49,000 USD (Ibid).

The economy is based primarily off of oil and gas sales, with reserves coming mainly from Abu Dhabi. Indeed, this is illustrated by the GDP sector composition, which is comprised of industry at 56.1% and services at 43.1% related to oil and gas<sup>67</sup>. Crude oil production according to 2012 estimates was a little over 3 million bbl/day (Figure 1.22) with exports being around 2 million bbl/day. Proven reserves from 2013 estimates positioned the country at 97.8 billion bbl (Figure 1.23). Refined petroleum production was 346,900 bbl/day in 2008 with exports being 452,400 bbl/day and consumption being 572,100 bbl/day; imports amounted to 377,300 bbl/day (Figures 1.24 – 1.25). Natural gas has also proved lucrative with proven reserves of 6.089 trillion cu m being forecasted in 2012 and production being 51.28 billion cu m with a 60.54 billion cu m consumption rate (Figures 1.26 – 1.29). Natural gas has also been exported from the UAE at a 7.65 billion cu m rate with imports being greater at 16.991 billion cu m according to 2010 figures (Figures 1.26 – 1.29). The country has attempted to make early diversification moves away from oil and gas sales however, with other significant economic

<sup>66</sup> <https://www.cia.gov/library/publications/the-world-factbook/geos/uc.html> (Last Retrieved: June 1, 2013)

<sup>67</sup> <https://www.cia.gov/library/publications/the-world-factbook/geos/uc.html> (Last Retrieved: June 1, 2013), <http://data.worldbank.org/country/united-arab-emirates> (Last Retrieved: June 1, 2013), and <http://www.eia.gov/countries/country-data.cfm?fips=TC> (Last Retrieved: June 1, 2013).

sectors being with industries such as hospitality, tourism, aluminium smelting, and banking that have been pioneered by Dubai. Free trade zones, such as in Jebel Ali, have also assisted in generating foreign investments. Major export partners excluding oil and gas sales in 2011 would be Japan at 16.2%, India at 13.5%, Iran at 10.9%, South Korea at 5.6%, Thailand at 5.5%, and Singapore at 4.4%<sup>68</sup>. Exportation sales amounted to \$281.6 billion USD in 2011 and \$300.6 billion in the subsequent year. Importations conversely amounted to \$220.3 billion in 2012, which was up from the previous year of \$202.1 billion USD (Ibid). Imported commodities were mainly machinery, transportation equipment, chemicals, and food with major partners in 2011 being India at 19.8%, China at 13.7%, USA at 8.1%, and Germany at 4.6% (Ibid). In 2009 though, the highly integrated economy of the UAE was severely damaged by the global financial crisis, with Dubai being evidently the most affected by the deflation. The dependency on oil and gas sales as well as foreign labour indeed presented challenges that were exaggerated during the crisis.

The military of the UAE has historically not been a focus of the country. However, military expenditure has had a positive trajectory since 2002 (Figure 1.30) with significant purchases of arms such as F-16s, F-22 Raptors, Predator drones, and missile defence systems<sup>69</sup>. The armed forces are comprised of the Land Forces, Air Force, Navy, Air Defence, Border and Coast Guard Directorate, as well as Critical Infrastructure Coastal Patrol Agency (Ibid). The security provided by the country has been sufficient for the handling of domestic affairs and safeguarding itself against any potential foreign attacks. Domestic intelligence for example has operated against domestic movements towards international terrorism, such as with the Muslim Brotherhood hailing from Egypt.

The UAE possesses a unique geographic layout in that while it maintains shoreline on the Persian Gulf as well as the Gulf of Oman, it does not hold any ground on the Strait of Hormuz. Rather, the territory on the strait is the Al Musandam exclave of Oman, which is an international issue in itself coupled with Al Madhah, which is yet another exclave of Oman that is within Emirati boundaries. The exclaves however have not been subject to significant controversy or contestation, instead controversy ensued when the UAE had been caught spying on Oman in

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<sup>68</sup> <https://www.cia.gov/library/publications/the-world-factbook/geos/uc.html> (Last Retrieved: June 1, 2013).

<sup>69</sup> <http://www.globalsecurity.org/military/world/gulf/uae-mil.htm> (Last Retrieved: June 1, 2013).

2011<sup>70</sup>. Since the occurrence of the incident however, the parties have reportedly resolved affairs. The UAE also claims dispute with Iran over the Abu Musa and Tunb Islands that are located in close proximity of the Strait of Hormuz. Additionally, the UAE has also committed significant forces to the PSDF that operate in Bahrain, suppressing domestic protests against the ruling authority. Other issues include narcotics and illicit substance trafficking given the nearby location to the Golden Crescent. The economic standing of the country also facilitates money laundering.

### ***Oman:***

At the mouth of the Persian Gulf holding one of the pillars of the Strait of Hormuz is Oman, which is country with an extensive history dating to antiquity. During the time in which the Persian Gulf states were colonized, Oman experienced a unique relationship with the dominant power in the region which was the British Empire. Oman had since the late 1700s entered into amicable treaties with the British, which complimented its own seafaring empire that had experienced victories in the Indian Ocean down the coast of continental Africa, in the Baluchistan region between the modern boundaries of Iran and Pakistan, and across the Arabian Peninsula. However, Oman eventually became dependent on the British Empire for political and military support but was never systematically colonized in turn. While there were regions in which the British gained dominance over the authority of Oman, such as with the Trucial States of the Coast of Oman, the country did not experience widespread resentment and resistance towards the British as it had the Portuguese colonizers centuries before. The population rather was more attuned to the inner workings of its own political system – the sultanate. In 1970 Qaboos bin Said Al Said launched a coup d'état against his unpopular father and was declared sultan. He has ruled ever since and worked to modernize the country, focusing on all areas of infrastructure including education and transportation. There have been few instances of uprisings against the ruling sultanate with the most notable ones being with the Dhofar Rebellion and the 2011 riots. The Dhofar Rebellion started in 1965 before Sultan Qaboos took rule but intensified during the ousting of the father in 1970 and was finally put down in 1975 with domestic military reforms taking shape in conjunction with the foreign assistance of Iran, Jordan, Pakistan,

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<sup>70</sup> (No Author). (2011). "Oman Uncovers 'Spy Network' but UAE Denies Any Links" in *BBC*. Available online: <http://www.bbc.co.uk/news/world-middle-east-12320859> (Last Retrieved: January 31, 2011).

and the UK. The Dhofar Rebellion called to implement socialism in place of the sultanate a year after oil was discovered in the country and was backed by the Union of Soviet Socialist Republics (USSR). After the rebellion was put down Oman experienced relative calm until the 2011 riots in which citizens demanded greater economic benefits, denounced corruption, and desired greater political say. Sultan Qaboos in turn has been responsive to his public and committed to implementing reforms both economic as well as political. Unemployment benefits, job creation, and legislative powers granted to the Majles were just some of the royal decrees that were acted on within the year. The immediate receptiveness of the Sultan has been to say the least, impressive. It is not the norm for a political ruler to be sensitive to the extent of immediately changing direction once the public has demonstrated or rioted against the ruling authority. Moreover, the implemented decrees are actually effective with results being visible in the entire country.

The population of Oman is an estimated 3,154,134 inclusive of nearly 580,000 non-citizens<sup>71</sup>. The majority of the country is between the ages of 25 and 54 amounting to roughly 42% of the population, the next bulk would be around 31% being between the ages of 0-14 with the 15-24 years of age group being 20.2% (Ibid). For all intents and purposes, Oman is a country that is quite youthful in its composition. It is also a diverse country with many different languages being widely spoken that include Arabic, English, Baluch, Urdu, and Hindi (Ibid). Nationalities represented by the linguistic groups are by enlarge a legacy of the extent of the Omani Empire with Arabs, Baluch, Tanzanians, and many others settling in the country. The religious makeup however is not as diverse with majority of the country at 75% following Ibadhi Islam, an indigenous interpretation of Islam stretching back to the early Islamic period, with the remainder including Sunnis, Shias, Zoroastrians, Baha'is, Christians, and Hindus (Ibid).

The economy of Oman is mid-sized undergoing an average of 5% GDP real growth rate per year from 2009 – 2013 (Ibid). The country is a rentier state that is heavily dependent on the revenues of natural resources, namely oil deposits that are well past peak production levels, to provide for the bulk of the GDP. Due to the nearing reality of the country being at a permanent loss of oil, the Sultan has outlined an economic development plan that focuses on diversification, industrialization, and privatization (Ibid). The draft could not come at a better time with the

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<sup>71</sup> <https://www.cia.gov/library/publications/the-world-factbook/geos/om.html> (Last Retrieved: June 1, 2013) and <http://data.worldbank.org/country/oman> (Last Retrieved: June 1, 2013).

population being quite youthful and energetic to contribute to economic growth. At present, tourism and natural gas are the starting points for Omani economic diversification. The fact that other models exist in the Persian Gulf for these two endeavours provides Oman with an opportunity to learn and ameliorate errors to improve its own situation. Careful budgeting must be in place though in order for the orchestrations to take place successfully since there are economic and social assumptions that are taken into consideration for future development such as the price of oil remaining high with a consistent customer base and that the population will be in turn receiving a steady income from which they will be satisfied.

In 2012 the GDP of Oman stood at \$90.66 billion USD, which was a rise from the \$86.38 billion USD in the preceding year, which was also a rise from the \$81.92 billion USD figure in 2010 (Ibid). The GDP ppp per capita from 2010 to 2012 has remained between \$27,500 USD and \$28,500 USD but while this figure may not seem high, it is before the economic reforms introduced by the Sultan and is projected to rise steadily with the recent calls for entrepreneurship (Ibid). The government has been directed to assist the population in creating businesses and providing a more accommodating environment for start-up companies as well as privatization (Ibid). At present the GDP composition by sector is industry at 50.4%, services at 48.1%, and agriculture at 1.5% (Ibid). The major industries in Oman being a rentier state would logically be the oil and gas (Ibid). There are other emerging industrial sectors though such as construction materials production, cement manufacturing, chemical refinements, and metal refineries (Ibid). The services GDP contribution is naturally based off of the existing industries in the country with a great potential for the advancement of maritime services (Ibid). The agricultural sector is comparatively small in Oman, but there is already great diversity in the foodstuffs produced in the country such as various fruits, vegetables, livestock, and fish (Ibid). The agricultural sector must expand rapidly for the coming generation so that the reliance on imported foods would not be a future risk and more so to provide additional areas for export revenue. The exports from 2012 amounted to \$48.43 billion USD, a slight rise above the 2011 figure of \$47.09 billion USD (Ibid). The main exports were petroleum, metals, and food with major partners being China at 30.2%, South Korea at 10.9%, the UAE at 10.6%, Japan at 10.4%, India at 9.2%, Thailand at 5.3%, and the US at 4.6% (Ibid). Imports resulted in \$23.37 billion USD in 2012, a rise from the \$21.35 billion USD in 2011 with major partners being the UAE at nearly 28%, Japan at roughly 12%, the US at 6.1%, India at 5.4%, China at 4.2%, Saudi Arabia

at 4.1%, and Germany at 4% (Ibid). The largest imports were machinery, heavy transportation equipment, food, and other manufactured goods (Ibid).

An area not yet focused on with its role in the Omani economy would be petroleum. As stated before, Oman is in possession of dwindling oil deposits that have a proven reserve of 4.902 billion bbl from a 2013 estimate<sup>72</sup>. The daily production in 2012 was 915,600 bbl and had an export of 253,100 bbl per day (Ibid). Natural gas reserves however are far in excess of the oil deposits with 2013 proven estimates reaching upwards of 849.5 billion cu m (Ibid). The natural gas production, reliant on an increasingly sophisticated and industrializing LNG transportation method, amounted to 35.94 billion cu m in 2012 with exports being 11.49 billion cu m in the same year (Ibid). Foreign investments have become extremely attracted to the LNG sector of Oman with specialized Japanese and Emirati companies heavily investing in its furthering. The Emiratis have taken particular notice of the lower economic positioning of Oman to invest in the development of not only the LNG sector but also the future of maritime transportation with special attention to petroleum.

The military of Oman at present is nearly 2 million strong with both men and women serving in the armed forces<sup>73</sup>. There is no mandatory conscription and women typically do not volunteer for such service but are free to do so should they choose (Ibid). The military is completely self-reliant off of indigenous citizens rather than dependent on foreign assistance such as with other neighbouring Persian Gulf countries although a historic importation of Baluch from Gwadar contributed to Omani military composition (Ibid). The Baluch of course were regarded as Omani citizens with the empire having a seamless multicultural identity. In fact, many Baluch still maintain ties to Oman despite being mainly populated within Pakistani boundaries. An increased spending on military surplus by the Sultan in recent years has also gained international attention with the annual GDP towards military spending being 11.4% since 2005 (Ibid) but the traditional nonaligned and non-involved position of Oman credits it to being a responsible enough state to not generate international condemnation. The navy in particular is receiving upgrades with the UK building state-of-the-art corvettes for Omani usage (Ibid).

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<sup>72</sup> <https://www.cia.gov/library/publications/the-world-factbook/geos/mu.html> (Last Retrieved: June 1, 2013), <http://data.worldbank.org/country/oman> (Last Retrieved: June 1, 2013), and <http://www.eia.gov/countries/cab.cfm?fips=MU> (Last Retrieved: June 1, 2013).

<sup>73</sup> <http://www.globalsecurity.org/military/world/gulf/oman-mil.htm> (Last Retrieved: June 1, 2013).

Missile shields and airpower are also receiving upgrades that are projected to bolster the country to a more secure position on the peninsula.

Oman does not have many significant international issues since it is regarded as a relatively neutral state, particularly when concerning Middle Eastern affairs. Quite often in fact the country has served as a mediating power between others, such as famously with Iran and various members of the international system. Boundaries with the UAE though were intensely contested since the formation of the united sheikhdoms. Oman and the UAE currently do not have border synergy in the sense that there are exclaves from both countries in the other. Apparently in 2003 a boundary agreement was signed and ratified with the UAE but the details have not been made public. Indeed, in recent years the historic neutrality of Oman seems to be slowly led into a direction that compromises its nonaligned position. An example would be with the UAE being caught of spying on Oman with elaborate networks being uncovered and another instance being with the increased Saudi Arabian aggressive expansionist demeanour that is pressing on Omani borders. Regardless of the ongoing international scenarios though, the more intense and concerning issues would be the domestic ones; particularly those related to the battered economic situation and the future continuation of a strengthened Oman.

### ***Collective Regional Tensions:***

While the aforementioned countries of the region each possess uniquely specific intrastate issues with transnational ones sometimes being even more specifically tailored to a country, there are overarching themes that can be observed as collective effects between the littoral inhabitants. Interstate suspicions run deep through the Persian Gulf and can be argued to be platforms for developing, continuing, and future problems in the area. After all, interstate suspicions share a close affinity with interstate competition.

One of the more notable collective issues in the region would certainly be one that is visually present. The dispute referenced is over the naming of the body of water that lies between the Iranian Plateau and the Arabian Peninsula. Prior to the rise of pan-Arabism in the 1960s, the Persian Gulf was the undisputed internationally recognized name for the waterway. However, with the advent of pan-Arab nationalism sweeping throughout the Arabic-speaking world the name was put into question by Gamal Abdel Nasser, who was president of Egypt at the time and initiated a proposal for a name change from “Persian Gulf” to “Arabian Gulf”. The claims put



forth by Nasser were on the grounds that Iran was engaging in ties that were excessively cordial with the declared arch-rival of the Arab world, Israel. Hence, a name change for the waterway would be appropriate to not only denote a collective Arab distaste for Iranian relations with Israel but also to challenge the legitimacy and authority of a regional power. While this shift is a well-documented event, there have been educational shifts in the Arab world since then that do not acknowledge the existence of a Persian Gulf. Yet, this philosophy does not carry international weight. For instance, the International Hydrographic Organisation (IHO), which is an inter-governmental organisation representing the hydrographic community enjoys observer status to the United Nations (UN), has asserted that the official name of recognition for the body of water lying between the Iranian Plateau and the Arabian Peninsula is the Persian Gulf<sup>74</sup>. It has also used the title “Gulf of Iran” as an alternative name in order to dispel any myths or potential association with the Arab world or “Arabian” in terminology (Ibid). There have been attempts to alternatively rename the area as “The Gulf”. But this of course is a ridiculous notion given that there are quite a number of gulfs in existence. An analogous comparison would be renaming the Indian Ocean as “The Ocean”. Moreover attempts to manipulate terminology of the Persian Gulf would also be with the usage of “Arab Gulf” or “Gulf Arab”. However, the UN in addition to the IHO as well as most governments in the world has acknowledged the body of water as the Persian Gulf<sup>75</sup>.

Tensions surrounding the Persian Gulf though are not solely with regards to a naming dispute. The Strait of Hormuz, which is the mouth of the channel shared between Iran and Oman, has even more international attention. At its narrowest point, the strait is 54 km with 32 km of navigable water, making this area a geographic chokepoint. The significance of the Strait of Hormuz is crucially tied to a number of matters, such as petroleum and its transportation routes. The potential for regional conflict to erupt can potentially disrupt the importation of necessary products for sustainability and exportations of petroleum to the rest of the globe. Hence, suspicions run high in the littoral. Indeed, fears of a rising Iran dominating the area and influencing trade keep the Arabian neighbours uncomfortable. In this vein, all Arabian countries

<sup>74</sup> See [http://www.iho.int/srv1/index.php?option=com\\_content&view=article&id=296&Itemid=357](http://www.iho.int/srv1/index.php?option=com_content&view=article&id=296&Itemid=357) (Last Retrieved: March 21, 2013).

<sup>75</sup> See <http://www.un.org/en/> (Last Retrieved: March 21, 2013), [http://search.un.org/search?ie=utf8&site=un\\_org&output=xml\\_no\\_dtd&client=UN\\_Website\\_en&num=10&lr=lang\\_en&proxystylesheet=UN\\_Website\\_en&oe=utf8&q=persian+gulf&Submit=Go](http://search.un.org/search?ie=utf8&site=un_org&output=xml_no_dtd&client=UN_Website_en&num=10&lr=lang_en&proxystylesheet=UN_Website_en&oe=utf8&q=persian+gulf&Submit=Go) (Last Retrieved: March 21, 2013), and [http://www.un.org/Depts/los/LEGISLATIONANDTREATIES/persian\\_gulf.htm](http://www.un.org/Depts/los/LEGISLATIONANDTREATIES/persian_gulf.htm) (Last Retrieved: March 21, 2013).

along the peninsula are deeply suspicious of each other, fearing foreign involvement in domestic affairs or domineering competition. Iran is also suspicious of movements on the Arabian side that could affect its standing as well, such as with the militarization of countries such as Saudi Arabia and the UAE. Another area of tension would be with the popular movements against autocratic regimes in the Arab world from 2010. Many Arab states not only fear public uprising but looming Iranian influence, which is particularly enhanced with countries that possess sizeable populations of Shias, such as Bahrain, Kuwait, and Saudi Arabia.

### ***Conclusion:***

From the overview of the countries inhabiting the littoral, several countries have unique discerning features that separate them from the others. Iran for example is the only Islamic Republic, Saudi Arabia in turn is the largest monarchy, while the UAE is the only federation of emirates. Both Iran and Saudi Arabia are established regional powers while the UAE possesses an economy that generates more funds than Iran. The foundations of resource nationalism in each country must also consequently be expressed differently. Such features inclusive of other dissimilarities, such as the degrees of power and influence of each country, provide Iran, Saudi Arabia, and the UAE to be fascinating case studies for the investigation of resource nationalism in the Persian Gulf. All case studies participate in intricate interstate relations while possessing unique intrastate issues as well. Selecting the three countries is not to take away any importance from the others however. Rather, other countries could as well be included in a study of resource nationalism but would overextend the limitations of the thesis. Hence, creating a manageable project would entail that using Iran, Saudi Arabia, and the UAE is sufficient.

## **Chapter 2: Theoretical Framework – The State, Nations, Nationalism, and Ethnicity**

In order to understand resource nationalism, particularly with respect to the case studies, it is essential to grasp the components that make up the framework. Hence, the concepts that will be reviewed in this chapter will be the notion of the state, nations, nationalism, and ethnicity. Each notion will be gauged and covered with its relationship towards resource nationalism, which will in turn reflect applicability to the case studies. Terminology will be then clarified for the purposes of the research project following the revision of all models. A final description of measuring the resource nationalism framework in the case studies will be presented as well.

### ***Notion of the State:***

There are numerous issues that are involved when investigating the idea of the state. A major one would be the issue of sovereignty, which is vital to understanding the state given that states must be classified as sovereign or not. Sovereignty is the condition in which a state is not subject to or dependent upon any other power or state. There are certainly technicalities when defining sovereignty from such a perspective but the aforementioned proposition does provide sufficient grounds to give a definition of what a state can be understood as. In general terms, the state often refers to a defined territory and population residing under a set of governing institutions. The aforesaid constituents may demonstrate sovereignty, which is a reference to the independence of authority and rule within defined geographic boundaries. However, the state can also be used as a reference to the secular branches of government that are contrasted to theological frameworks, which can be applicable to both the Iranian and Saudi Arabian case studies. Of course, should a state be of a purely theological construction then the reference would naturally be without contrast and follow the first description of the state provided, which can be demonstrated with the existence of the Vatican as a state that is built with purely theological mechanisms.

A sovereign state can take abundant forms such as with the case of federated states, which typically operate under a federal union. Features of federalist entities would be a group of members being unified by an agreement that points to a representative head. A constitution typically distributes power between the central governing authority and its members in varying

or equal degrees depending on the case investigated. In this manner, federalism can be understood in either asymmetric or symmetric terms. The former is the case that exists where states are granted different powers, or some possess greater autonomy than others do. This is often done in recognition of the existence of a distinct culture in a particular region or regions such as with the Xinjiang Autonomous Region of China, where the native inhabitants of the region are traditionally regarded as Uyghurs rather than Han, the former of which is of Turkic origin while the latter is distinct (Dillon 2004: 23 – 24). While China is not a federation, it does possess at least a nominal autonomous province that vivifies the aspect of distinct cultural groups receiving a varied degree of power separate from other provinces in the country. Russia on the other hand is a federation and does possess numerous autonomous provinces that feature a dominant regional cultural group differing from one area of the country to the other. Examples of autonomous provinces within Russia would be with Bashkortostan, Chechnya, Dagestan, and Tatarstan (Azat Khurmatullin in Dannreuther and March (eds.) 2010: 103 – 121). All aforementioned provinces, at least theoretically, maintain a degree of autonomy within boundaries set forth by the Russian Constitution and moreover possess distinct ethnic groups separate from the dominant Slavic one. It should be noted that while only four have been named, Russia holds twenty-one diverse autonomous regions. Symmetric federalism by contrast follows a more streamlined and simplified approach when compared to the potential complications that may arise from asymmetric federalism. In a symmetric understanding, all states have equal powers. The USA is illustrative of symmetric federalism but only when concerning the fifty proper states of its territory and not other territories such as Puerto Rico or Guam. Each of the proper states bears its own laws and regulations while ultimately being under the authority of the central government based in Washington, D.C. Another example of a federal union would be with the case study of the UAE, which is a country that is comprised of seven emirates. Each emirate has its own head ruler or “sheikh” that wields absolute power in the area prescribed to the respective emirate. Theoretically though, all emirates do fall under the final authority of the Abu Dhabi emirate. The formation of this federation was initiated in 1971 and concluded in 1972 with the integration of the Ras Al Khaimah emirate into the UAE, which is the time in which state sovereignty is generally referenced to as solidified.

Contrasting to the amalgam of federalism would be when a state is unitary in structure, which is the case in which the state is governed as a singular unit and the central government

reigns supreme over all administrative divisions that may exist. Any administrative divisions that do exist wield authority and power in the respective division only to a defined extent that the central government permits them to do so. With reference to the case studies Iran and Saudi Arabia are both unitary states alongside other world powers such as the UK, Germany, China, and Japan. Unitary states though are not necessarily easily defined or described when compared to federalist entities. For example, Saudi Arabia is a declared kingdom or absolute monarchy that is founded upon theocratic tenets. The King of Saudi Arabia is the head of state as well as head of government and has the power to act final say on all matters. In practice though much of the decision-making process and power is distributed between members of the royal family that are composed of the House of Al Saud along with their associates in addition to consultation with the religious establishment or 'ulema since reasonably no singular person would be able to manage all the affairs of a country as large or populous as Saudi Arabia. The constitution is declared to be the religious book of Islam, the Qur'an, and laws are enacted through Shari'a or religious law gained from textual interpretation of the Qur'an. In this instance, the central government would be analogous to the royal family and monarchical circles of the country with the King as its absolute head, which can technically be regarded as the reigning singular unit. State sovereignty for Saudi Arabia is recognized as 1932, the date in which the current Al Saud family solidified its rule in the Arabian Peninsula within the political boundaries the kingdom currently maintains.

Iran on the other hand is a unitary state that is more complex in structure when compared to Saudi Arabia. There are directly elected and non-elected bodies in the country that contribute to the arrangement of the central government (Figure 1.1). Elected bodies would include the President, Assembly of Experts, and Parliament while unelected bodies would be the Supreme Leader, Guardian Council, and Cabinet in addition to other posts such as those belonging to the military, media, Head of the Judiciary, Expediency Council, and Leaders of Friday Prayers (Ibid). The powers of the unelected bodies are greater than those of the elected bodies but there is nonetheless a central government, albeit convoluted, that deals with all affairs of the state. A unique feature of Iranian political structure as a unitary state would also be that there is the inclusion of a Supreme Leader, who has the final say on all domestic as well as international affairs that are concerning the country. However, in recent years there has been incidents in a struggle for power between the President of Iran, namely during the term of Mahmoud

Ahmadinejad, and the Supreme Leader as to where ultimate authority should reside. A constitution is in place and defines powers of the government as well as that of the Supreme Leader. With regards to state sovereignty, Iran is one of the oldest continuously assertive states in the world stretching its unified political history to the origins of the Achaemenid Empire founded by Cyrus the Great in 550 BC with other pre-Achaemenid Iranian dynasties and empires inhabiting various regions of the country such as the Elamites and Medians. While the state itself had been conquered at times throughout the millennia of its existence the political boundaries in which Iran now exists is a direct derivative of its ancient heritage. Given that Iran was also not colonized by Imperial powers, placing a singular date in which Iran gained state sovereignty would be inaccurate and subject to intense scrutiny.

State sovereignty can indeed be a difficult terrain to traverse given the dimensions of technicalities. A modern conception of state sovereignty, derived from the Age of Enlightenment and furthered by European political thought, would signify the inclusion of four elements: territory, population, authority, and recognition (Biersteker and Weber 1996: 46). Certainly a territory can provide a physical form or area for the state and consequentially a population to inhabit it, these two elements is straightforward enough. However, the latter connotations of authority and recognition are more complex ideas that require further investigation. With regards to authority, the term must be understood in a political context when evaluating state sovereignty and is in essence a reference to the legitimacy, ability to justify, and right of state to exercise power, where power is implemented through state structure. Examples of applied authority would be through societal features such as a parliament, judiciary, or military. Conceptually, authority is given to state by the population and in contrapositive terms can similarly be rescinded. Of course, the latter would be more difficult to enforce should the authority of the state be strong and must also take into consideration state capabilities resulting from strong authority. For instance, in the case of the US, American citizens have reinforced legitimacy of the state to exercise power such as with the military or the judicial system in place. In the case of Libya, the population rescinded authority from the state under the Gadhafi regime and staged a successful revolution.

With an understanding of authority provided, recognition remains the final element of review. In state terms, recognition is the case in which a sovereign state treats another entity as a sovereign state, where recognition can be either expressed explicitly or implied. Specific

terminology using “entity” would be illustrative of international relations in many different parts of the world such as with Russia recognizing the Abkhazian region of Georgia as a sovereign state, where it is in fact a province of a sovereign state recognized by majority of the international system<sup>76</sup>. Another example would be with Turkey recognizing the existence of a Turkish Republic of Northern Cyprus and is the only UN member state to do so. An additional example would be with one hundred thirty-four UN member states recognizing a State of Palestine with varying degrees of political boundaries. Indeed, recognition shares an intimate relationship with state sovereignty but at times states are subject to external sovereignty or overbearing hegemony when definitive authority lies in another state. Palpable examples would be with client states, which are states that are “economically, politically or militarily subordinate to another more powerful state in international affairs,” types of which include associate states, satellite states, puppet states, and vassal states (Fry, Goldstein, and Langhorne 2002: 9). While there are subtleties between the various forms of client states a unifying feature would be the subordination or subservience of one state to another in the international system. Vivifying examples would be with Manchukuo from 1932 to 1945 as an extension of Imperial Japanese authority or with the Kingdom of Iraq from 1941 to 1943 in which it was under the influence of the UK. It should be noted that the former example did not receive international recognition as a sovereign state but did operate in effect as a state in the time described under Imperial Japanese power. The latter example though did maintain sovereign state recognition in the international system. Both examples however illustrate nominal state sovereignty, meaning that absolute independence of authority from other states was not exercised.

Recognition of the state can also be seen in legal terms, which are additionally very closely tied to political ones when concerning sovereignty of the state. Constitutive theory for example defines a state as a person that is subject to international law if and only if it is recognized as sovereign by other states. While equating a state to a person may not necessarily be a balanced association the point is illustrative of the aforementioned Russian case with the Republic of Abkhazia. Declarative theory dictates that a state is a person in international law should there be a defined territory, permanent population, government, and capacity to enter relations with other states. Statehood is additionally independent of its recognition by other states

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<sup>76</sup> As of 2014 there are six UN member states that recognize the Republic of Abkhazia, which are Nauru, Nicaragua, Russia, Tuvalu, Vanuatu, and Venezuela.

(Ibid). However, exclusively following the conditions of declarative theory in an international context provides a problematic world view. According to the premises there may in fact be a number of states that are (technically) in existence but not recognized by any entity. Not needing to be member to any organisation or body that would recognize the state creates additional vagueness. Moreover, the notion of sovereignty was not directly or effectively addressed. Declarative theory though does give rise to the notions of *de facto* and *de jure* theories. In the case of the former, the practice of acting in actuality without necessarily having legal recognition to do so while the latter is concerned with the matters of law. For example, in the Caucasus, the Republic of Artsakh has *de facto* status as operating as a state although *de jure* there are no legal frameworks that provide the entity to do so.

Taking into account the exploration conducted thus far it is implicit that the descriptions provided for states were for entities that emerge into the international system and/or are already currently existing, which leaves room for the antithesis of state extinction. In conceptual terms, states can be resilient entities but that does not conclude that they are eternal. States can be destroyed either through voluntary means such as with the dissolution of the USSR or by conquest such as with the Byzantine Empire by the Ottoman Turks. But, given that states are nonphysical entities extinction must occur on societal and judicial levels as well. In effect, the idea of the state must be eliminated. Should this not occur then reassertion or reapplication of the state may manifest. In the case of Iran, the country traces its origins to the Achaemenid Empire despite it being destroyed by the armies of Alexander. The groups inhabiting regions of the former empire re-established the idea of the state and this pattern was repeated throughout the various conquests in history arriving to the present-day form of Iran. What is to be gained from this notion is that the durability of the state can resist total extinction as is demonstrated by not only the case study of Iran by also by other members of the international system such as China and Turkey, the former of which is one of the oldest continuously assertive states in the world and the latter of which is a direct derivative of the Ottoman Empire.

Typically, the term “state” is equated with the term “country” in casual terms and does work with some of the general parameters described. But, when technicalities are taken into consideration such as with terming “sovereignty”, “independence”, and “recognition” the state can indeed become a much vaguer idea. For the purposes of this research project the case studies of Iran, Saudi Arabia, and the UAE will be regarded as sovereign and maintain independence



from other authorities; meaning that no case study will be referred to or considered a client state. All case studies have declared sovereignty and autonomy from each other. Additionally, each case study recognizes the others' boundaries although tensions do exist between Iran and the UAE over the Abu Musa, Greater Tunb, and Lesser Tunb islands. Border insecurity between Saudi Arabia and the UAE is also a sensitive issue given the dominating presence of Saudi Arabia on the Arabian Peninsula but there are political boundaries and geographical divisions that are recognized by both parties to delineate state borders.

### ***Nations and Nationalism:***

The terms “nation” and “nationalism” in everyday speech are commonly used when describing situations that occur in a number of academic fields including political science, sociology, and psychology. Given their extensive usage, it would seem as if there was a commonly understood meaning of the terms. Yet, when investigating such an appearance it proves to be a misleading observation in that there are many understandings of the terms and their usage consequently differs. Even within a particular academic field there is a vast range of paradigms that have been set forth to describe what “nation” and “nationalism” entails, all from different traditions of thought. Indeed, both “nation” and “nationalism” are terms that are evasive to denotation, especially taking into consideration the fact that individuals think differently from one another and therefore come to varied understandings of the terms. Moreover, it seems that a universally accepted definition of “nation” may not exist in part because of the political connotations and properties of “nationalism”, in that is one of both inclusion and omission with some properties deemed acceptable and therefore inclusive while others are not, which leading to exclusion (Jackson-Peerce in Cordell and Wolff (eds.) 2011: 15).

Recognizing “nation” and “nationalism” as concepts assists in their comprehension because like all concepts, there are numerous perspectives and traditions of thought that explains their standpoints. Hence, looking into the existing paradigms that provide descriptive perspectives in which to view the concepts can be advantageous to understanding them further. It should be noted beforehand however that given the multitude of sides involved, a tumultuous debate has already been set in motion that has yet to reach a definite conclusion on the meanings of the terms; in short, there is still a lack of consensus on a commonly accepted definitions for

the two. Nevertheless, understanding the concepts provide assistance with the means to understand resource nationalism on a deeper level.

### *Paradigms of Nationalism:*

#### *Modernism:*

The modernist perspective will first be reviewed. It holds that nationalism as an ideology, social movement, and/or symbol is a relatively recent and novel innovation stemming from the modern period and has been created as a result of modernity (Smith 2010: 50). Of course, an obvious issue with such a generalized description would be that the time frame of “modern” is the subject of considerable disagreement (Ibid). Regardless of the temporal areas of dispute, modernists unanimously possess the view that the “nation” was produced from the concept of nationalism in an attempt to answer the perplexing political situation of where sovereignty lies (Jackson-Peerce in Cordell and Wolff (eds.) 2011: 15). An example of modernism could be seen as the Unification of Germany in 1871 under Otto von Bismarck.

#### *Idealism:*

Another paradigm would be that of idealism; which is essentially the romantic spirit that is commonly associated with nationalism. According to the model, nationalism reasons to “supply a criterion for the determination of the unit of population proper to enjoy a government exclusively its own, for the legitimate exercise of power in the state, and for the right organisation of a society of states,” (Kedourie 1960: 9). In this view, the notion of sovereignty is clearly addressed and intimately held at the heart of the claims of the paradigm. An example of idealism could be seen with the French Revolution.

#### *Materialism:*

The materialist paradigm proposes that nationalism is closely linked and may even be correlated with industrialization. The dominant view within this model is that the transition from an agricultural society to an industrialized one explains the emergence of conceptual terms such as “nation” and the ideology of nationalism. Within materialism is also the notion that industrialization is dependent upon the mass organisation of people who are focused around the state and have been transformed into a mass literate society by the regulations of the state. The

element of nationalism in this model is not only that the concept arises out of industrialization, but also that nationalism is forwarded by the centralization of people to the state and have in turn become educated by it, creating a continuous cycle that is able to sustain itself. An example of materialism could be with the USSR.

*Constructivism:*

The constructivist account of nationalism can be seen as the mediation and fusion of the materialist and idealist paradigms endorsed by the authorities of Gellner and Kedourie, respectively. An emphasis on the role of printed media is principal to this view. It is argued that the concept of “nation” rose out of a need for the communal workers that left agrarian life behind to fill a gap that was previously filled by a familiar understanding of rural life. Promotion of the nation therefore made its way into media such as with art, novels, and newspapers that were readily available to the public and refocused their energies on a common notion of the nation rather than an agrarian community (Jackson-Peerce in Cordell and Wolff (eds.) 2011: 17). An example of constructivism could be exemplified with the development of China through its socialistic reformation.

*Primordialism:*

Primordialism is idea that nations have their origins deeply rooted in ancient history. It stresses the importance of continuity over change, thereby endowing the nation or “national community” with a sense of authenticity or what it means to be a part of a particular nation. Language in this tradition is particularly accentuated by primordialists because of its properties of identifying an out-group or a separate community. Nationalism with regards to issues such as the notion of sovereignty or the preservation of a group’s authentic characteristics can be generated straightforwardly from a primordialist perspective. An example of primordialism would be with Nazi Germany, determining who was a “pure” German versus those that were not.

*Ethno-symbolism:*

Another view would be ethno-symbolism, which is a theory proposed by Anthony Smith who posits the view that national identities (i.e. nations) are essentially based on myths and memories, which is the base of nationalism that distinguishes groups of individuals from one

another. In this outlook, the role of the arts and humanities are regarded with particular reverence because students of such fields are able to fashion and at times refashion ancient and inherited traditions that form a national identity. Indeed, there are echoes of both primordialism and modernism in ethno-symbolism with regards to roles of a perceived national origin and temporal focus in the view, respectively. Ethno-symbolists contend that such a merging, which leads to their position, provides better explanations and reasoning for governmental behaviour that many times includes symbolic goals in national politics and policies. Instances would be the accessing of a national education, broadcasting and printing of media in a national language in addition to other emblematic engagements such as preserving historical sites (Jackson-Peerce in Cordell and Wolff (eds.) 2011: 19). Ethno-symbolism additionally incorporates a focus on the role of writers and artists in society, whose position is to shape and reshape the literature and art that generates nationalism (Ibid). An example of ethno-symbolism would be with Greeks and the Acropolis of Athens as well as the extensive literature and archaeology produced during the Greco-Persian Wars period.

Despite the numerous paradigms, each one can assist in the perception of nationalism. While looking through the lens of some paradigms can be more convincing or applicable than others, what are to be gained from the diversity are different and competing perspectives that delve into the conceptual dimensions of nationalism. In turn, a product can be a deeper understanding of not only nationalism, but its derivatives as well.

### *The Nation:*

A debatable product of nationalism would be “the nation”. The proposal follows that conceptually the “nation” may not have existed without the idea of “nationalism”. In other words, nations may very well be the product of nationalism with the latter concept preceding the former. Delineation of such an argument can be seen with many areas that have been colonized or conquered over the span of history. Examples with respect to the case studies of the Persian Gulf are Saudi Arabia and the UAE, with neither countries existing prior to colonization. Both lacked formal political ties to any entity or body prior to their individual establishments. Rather, in the case of Saudi Arabia the Al Saud tribe ended up conquering much of the territory that is currently the political boundaries of the country, with evidence of their authority and dominance moreover passed on to the name of the kingdom. With regards to the UAE, in simplified terms

the country was formed with the amalgamation of seven different principalities or emirates, which was formerly collectively known as the Trucial States of the Coast of Oman (Commins 2012: 52) and prior to that was even in possession by Oman.

Indeed, viewing the nation as a product of nationalism can be a persuasive argument. Regardless of the conclusions on how the nation is formed, derived critical questions still remain, particularly, what is a nation and how is it defined?

In order to ascertain potential answers, it is beneficial to follow the paradigms of nationalism that have been set forth, which describe a setting in which the term “nation” can be used. Firstly, it is necessary to recognize that the world is divided into nations, each with a specific character and history (Smith 2010: 25). Following this would be that the nation is the ultimate and therefore sole source of political power (Ibid), which then leads to the notion that loyalty to the nation overrides all other loyalties (Ibid). Under such principles, the concept of the nation has been investigated and suppositions on its properties have been drawn. For example, David Miller defines the nation or “nationality” under five criteria. The first would be that, “nations are a community that are constituted by a shared belief and mutual commitment,” (Miller 1995: 27). Moreover, nations are extended in history and are active in character being committed or attached to a particular territory (Ibid). Finally, the nation is marked off from other communities through a distinct public culture (Ibid). According to Miller, should any group fall under and fulfil such criteria, they can very well be regarded as a nation. Yet, Smith defines a nation as, “a named human community residing in a perceived homeland, and having common myths and a shared history, a distinct public culture, and common laws and customs for all members,” (Smith 2010: 13).

For the purposes of this project, I will adopt for the most part the definition of “nation” proposed by Smith given its neutrality, objectivity, and applicability to the project. The only potential issue with the definition proposed by Smith is “homeland”, which is a conceptual term that has connotations of its own and can arguably be a concept that does not have any empirical basis; meaning that “homeland” only exists in the theoretical realm and the psychology of people while having no inherent tangibility and therefore lacks empiricism. To the credit of Smith, he specifies that homeland is perceived, yet the definition can be modified to instead have the understanding that a human community can be residing in a territory that is perceived as their

own. Nonetheless, Smith provides a crafted definition that has commonalities with other explanations that have been provided for the concept of nationhood.

### *Homogeneity in Nations in Utilizing Nationalism as an Ideology:*

Nationalism as it has been described thus far provides it to be utilized as an ideology within a state. After all, it places the nation at the epicentre of its concerns and seeks to promote its welfare, which in turn can be beneficial to the state should a nation be at the heart of it. The general goals of nationalistic philosophy are to endorse and uphold a sense of national autonomy which addresses the notion of sovereignty, to sanction unity within the nation, and to support an identity as a nation. Given the diversity of paradigms used to illustrate nationalism, there must also be numerous features that make it possible to view it from so many different angles with separate focuses on its attributions. Some of these aspects can directly influence and/or impact the homogeneity of the state as well as nation.

Language as a nationalistic feature has commonly been cited as a major factor that can affect homogeneity. Political stability as well as societal cohesiveness are just two of the many elements that can be affected depending on the treatment of language. The former constituent of political stability can be influenced for example in a case in which a practice of linguistic homogeneity is in place. Linguistic minorities consequently are not likely to equally coexist in such a system should that community desire to participate in and benefit from the fullest potential of society. Linguistic assimilation therefore seems to be the only way to ensure equality and such a practice may not be accepted entirely by members of a linguistic minority background, who may protest conformity to linguistic sameness on grounds that a distinguishing characteristic of theirs is being tampered with and arguably being at least passively extinguished. In this vein, the latter constituent of societal cohesiveness can be affected since the entire population may not be satisfied with having a common language that is not held by all people of society in the same regard; meaning not every individual has the accepted common language as their first. Discontent naturally derives from dissatisfaction and does have the potential to affect the maximization of societal harmony. Further, it can be debated that the proper function of representative institutions cannot be achieved under a same-language practice or policy because the “representative” elements of society are not in fact indicative of the entire sample that entails the exclusion of linguistic minorities. There is also the take that every language provides a

particular and therefore distinct manner of thought. Hence, what is understood or expressed in one language can never be entirely perceived or articulated in the same way in another language (Jackson-Peerce in Cordell and Wolff (eds.) 2011: 21). For such a reason accurate communal understanding and the development of a unified community is only truly able to be achieved by the native speakers of the public language. This would be because of the linguistic restrictions and circumstances that prevent cross-communication that provides mutual understanding and sympathy between groups (Ibid). However, one of the many functions and purposes of language is to communicate not only within a particular group or nation but attempt to do so with others as well that reach far beyond the circles of the in-group.

The use of language in a nationalistic context has implications which can extend deep into society and penetrate the core of each individual. Whether nationalism as a concept is relatively new or not is irrelevant, it can be agreed that there is a process of formation and growth within nations, which is inclusive of a sentiment of belonging to one. An example of language being used in a nationalistic setting would be with Pan-Arab rhetoric endorsed by Gamal Abdel-Nasser throughout the 1950s and 1960s. Language in this period was used to passively and actively exclude people from the Egyptian nation. Namely, Coptic Egyptians were directly targeted and deemed as being an out-group category that did not fit the newfound ideals of the Egyptian nation. While all communities inhabiting Egypt did adhere to Arabic as a primary language, the existence of a Coptic language in the Coptic Orthodox Church of Alexandria created a feature in which a distinct nation could be formed that was separate from other in-group Egyptians that did not possess a Coptic language element. A sense of belonging to mainstream Egyptian nationalism during this period on behalf of Copts was consequently confusing in that while many Copts were nationalistic to Egypt despite the aggressive targeting from Nasser, the sense of belonging was tainted given that Copts were no longer viewed as Egyptians of equal status at best.

Indeed, language coupled with the social and political dimensions of nationalism can contribute to a sense of belonging. When concerning homogeneity it is unquestionable that nations can be greatly influenced by nationalism. Language is certainly an important element to address therefore as well. Homogeneity is the element that binds nations together and provides reflexive reinforcement to nationalism. Given the diversity of paradigms, understandings, and

interpretations of nationalism and the nation, it is an obvious issue to resolve as it is a significant factor that gives rise to the prosperity of nationalism.

### *Nations and Nationalism with Respect to Resource Nationalism:*

Yet, with regards to resource nationalism how can the paradigms of nationalism and the notion of the nation assist in understanding the case studies of Iran, Saudi Arabia, and the UAE? At the moment it seems that there is an evident examination of theory but a lack of illustration with the case studies.

As far as nationalism is generally concerned, host countries do not want foreign companies or IOCs having ownership of the natural resources within their boundaries since they would prefer to own it themselves, which is a prime reason for utilizing resource nationalism. Basically, when concerning the theme of hydrocarbons states prefer to have ownership of reserves located in their own country rather than have a foreign company or IOC assert control and ownership. Consequently, nationalism is generated in one sense because the population can see the foreign companies and IOCs as “invaders” that are attempting to “own” them. Hence, resource nationalism deriving from nationalism out of a perceived defence can be used as an analogy to war. The traditional method of taxing and the payment of royalties or PSAs under resource nationalism become nullified and no longer apply. PSAs contractually grant the contractor or hydrocarbon company control over the reserves. Naturally, host governments prefer to have direct access to what is seen as their own monies and choose to negate the application of PSAs through methods such as utilizing resource nationalism. Foreign companies obviously do not want such agreements to be nullified since it would signify that exclusive access to reserves are not necessarily granted anymore and are under the control of another body as is commonly exercised with NOCs. Indeed, larger more influential companies have been increasingly been brought to compromise. This is especially the case with natural resources such as oil and gas because they are coveted materials that will only rise in price as they are scarce. Therefore, competition will only increase for access to the resources, which means that foreign companies and IOCs do not at the moment have much negotiating space or power. The role of the nation with resource nationalism would be that the component of population would be fulfilled by the named human community (or communities) that have commonalities of myths, history, public



culture, laws, and customs that resides in a specific area in which resource nationalism is able to be claimed.

In short, with reference to the paradigms of nationalism, any model can be taken and used for the purposes of gathering an additional perspective or different take on the matter and with regards to the nation, holding a consistent definition in line with nationalism is key. Ultimately, with regards to “nation” and “nationalism” the conceptual terms are reliant off of the author or debater, who set their terms and conditions. By extension, the constructor also sets the criteria for national membership. Regardless of whichever way nation and nationalism are constructed, the influence they have with resource nationalism is clear and evident.

### ***Ethnicity:***

However, “nation” and “nationalism” are not the only conceptual terms that influence the frame of resource nationalism. Although superficially similar to “nation” in its definition, “ethnicity” holds an entirely different weight and is a very different concept, which consequently carries divergent political connotations. There are many manners in which to comprehend ethnicity as a concept. One understanding of ethnicity would be that, “a group is an ethnic group if its members share the following traits: a common name, a believed common descent, elements of a shared culture (most often language or religion), common historical memories, and attachment to a particular territory,” (Kaufman in Cordell and Wolff (eds.) 2011: 92). Following the proposed understanding would be that while there is an attachment to a particular territory, the community does not need to be in physical possession of the land or historic territory. “Attachment” can also signify that inhabiting a territory is not necessary either, as is the case of communities that are permanently migratory. An example would be with nomadic Turkic communities that inhabit Central Asia. Another example would be with diaspora communities and IDPs.

When contrasted to the concept of the nation there are noticeable omissions for why a nation is not an ethnic community. This is due to the fact that despite some overlapping of commonalities, such as with collective cultural identities, the ethnic community usually does not possess political referents (Smith 2010: 12 – 13). In many cases, there is also a lack of public culture (Ibid). Additionally, the ethnic community does not need to be in physical possession of a historic territory (Ibid). The nation though, “must reside in a perceived homeland of its own, at

least for a long period of time, in order to constitute itself as a nation; and to aspire to nationhood and be recognized as a nation, it also needs to evolve a public culture and desire some degree of self-determination,” (Ibid). According to the contrapositive, recognition of ethnicity does not necessarily need a public culture to be evolved and there also does not need to necessarily be a degree of self-determination.

### *Paradigms of Ethnicity:*

#### *Primordialism:*

Another understanding of ethnicity would be with primordialism. “Nation” is often confused with “ethnicity” in the primordial nationalist model, in which membership to the nation is determined through natural and innate characteristics that cannot ever be changed even by instruction or absolute assimilation (Jackson-Peerce in Cordell and Wolff (eds.) 2011: 22 – 23). With regards to ethnicity however, primordialism holds that ethnicity has always existed and that ethnic groups that are seen today are modern derivations of historical groups that existed in the past. Hence, the closeness of relationship between ethnicity and nation for primordialists are apparent.

Primordialism can be understood in several different manners. Essentialist primordialism for example holds that ethnicity is a fact that is assumed before human existence, or *a priori*, meaning that ethnicity precedes human social interaction and that ethnicity is unchanged by human social interaction (Smith 1999: 13). Ethnic groups are viewed as more than historical, they are viewed as naturally occurring (Ibid). However, based on the premises of essentialist primordialism there is no explanation provided for ethnicities seemingly appearing, disappearing, and sometimes reappearing throughout history. An example would be with the Scythians that were existent at a point of time in history but are currently regarded as an extinct ethnic group. There are also fallacies with addressing human continuity and interaction such as intermarriage between groups, migration, and colonization for multi-ethnic societies (Smith 1999: 13). The case in which new ethnic groups emerge as derivations from other pre-existing ethnic groups cannot also be addressed through essentialist primordialism.

Kinship primordialism is another manner in which primordialism can be understood and holds that ethnic communities are extensions of kinship units (Ibid). Cultural signals such as language, religion, or customs were signs of demonstrating biological affinity with common kin

(Ibid). Myths of common biological ancestry, which are pivotal to ethnicity, are understood as denotations of biological history (Ibid). An example would be with the Jews and the Arabs citing common biological ancestry through Abraham. Of course, origin myths can be purely fabrication, which means that some ethnic groups can have a contradictory biological history to their associated ethnic community (Ibid). In this vein, one of the many problems with this view would be that other ethnic communities being co-opted into a greater dominant group cannot be successfully addressed. An example would be with the Mongols co-opting other rival communities into their group while all sharing a common origin myth of being biologically derived from Genghis Khan.

Geertz primordialism endorses the view that humans by enlarge attribute power to primordial human traits or “givens” such as biology, language, territory, and culture (Ibid). The view asserts that ethnicity is not primordial in itself but that many believe that it is due to their experiences with the world (Ibid). Geertz proposes a perspective through that is largely observational and can therefore have alternative interpretations. Furthermore, the assumptions and premises of primordialism have been carried over.

Primordialism as a notion is inherently exclusive in its construction given that an individual is not allowed to determine their nation but rather that the nation determines the individual (Jackson-Peerce in Cordell and Wolff (eds.) 2011: 22 – 23). An example would be the Parsis in India. In order to be part to the nation of Parsis, one must be born into the group from two parents that have been determined to be members of the community as well. While there are instances in which one parent may be an individual from a community separate from the Parsis and their children may be regarded as a part of the greater Parsi community, in order to be a bona fide member to the nation one must have lineage of both parents being Parsis. There are significant flaws, contradictions, and shortcomings with the concept and the varied manners of its understandings. Yet, it should be noted that despite such faults there are societies and countries that do conform to some form of an idea of primordialism. It is not however the only frame in which ethnicity can be understood.

#### *Perennialism:*

An additional manner of understanding ethnicity would be with perennialism. According to this approach, nations and ethnicity are regarded essentially the same phenomenon.

Perennialism is more concerned with nationhood than ethnicity though and holds that the nation as a type of social and/or political organisation that is of long-established or perennial character (Smith 1999: 159). Following this understanding would be several variants of thought.

The first variant would be perpetual or continuous perennialism, which asserts that there are specific ethnic groups that have existed continuously throughout history (Ibid: 5). Another view would be recurrent or situational perennialism, which is concerned with ethnic group formation, change, and disappearance throughout history (Ibid). Ethnicity in this respect is viewed as a tool that is used by political bodies to politically manoeuvre resources to favour the interests of their particular group. Tangentially relating to situational perennialism as far as a functional sense is concerned would be instrumentalist perennialism, which explains ethnicity as a means for the hierarchical stratification of individuals in society. In this manner, ethnicity is not simply a tool but a versatile one that assists in the structure of societies. A difference between situational and instrumentalist perennialism would be that the former holds ethnicity as a tool that is used by political bodies while the latter holds that ethnicity is an organisational tool but does not necessarily need to relate to a political environment.

#### *Constructivism:*

The constructivist view holds that both primordialism and perennialism are fundamentally flawed. Constructivism rather endorses that ethnic groups are only products of human social interaction and are maintained only as social constructs. Modernist constructivism endorse that the emergence of ethnicity is positively correlated with a movement towards an understanding of nation-states (Smith 1999: 4 – 7). Ethnicity, nations, and nationalism are held as modern creations and did not appear throughout all periods of history. Accordingly, ethnic homogeneity was not considered a necessary component for the creation of large, unified societies. However, it can certainly be argued at varied points in history that the modernist approach is incorrect in that it ignores many parts of human history such as with the creation of the multi-ethnic Ottoman Empire or the Iranian moves for independence and the removal of perceived foreign occupation throughout its history. Indeed, taking into consideration such events would nullify the claim of ethnicity being only a modern invention that never existed prior to the movement towards nation-states. However, when regarding ethnicity as an invention,

it is not necessarily wrong to make such an assertion in that it is certainly something that is constructed.

### *Homogeneity and Harmony in Utilizing Ethnicity:*

When concerning ethnicity and ethnic communities there are a number of terms that are commonly used in describing what ethnicity is. People, human, stock, and breed are such examples and are used with the intent of referring to something like “people” with the exception of a less commonly used word of “genos”, which is used more so along the ideas of “nation” (Fenton 2009: 15 – 16). The term was carried into Latin and then English where it took the form of “genus” and has been consequently been used in science to distinguish between different categories such as “stock, race, and kind” (Ibid). While science has used “genus” to denote many things aside from people, such as distinguishing between different varieties of species within the plant kingdom, the word appears as a prefix to the word “genocide” that is understood as, “a deliberate extermination of an ethnic or national group” (Ibid). Usage of “genocide” as a term instead of “ethnocide” highlights an unresolved difficulty in defining ethnicity. Indeed, a consensus on “ethnicity” must be reached in order to understand its prefixed form of “ethno-” in conjunction with the suffix “-cide”. Even the term “ethnos” has been used inconsistently throughout history, such as its referencing to initially signify other people that spoke different languages or lived in different countries to the context of individuals being non-member to the Jewish or Christian faiths (Ibid). Therefore, in addition to conceptual complications of agreement there is also a temporal factor.

Such impediments are illustrative of some of the copious sensitivities in utilizing ethnicity, which in turn affects the definition of ethnic conflict. Certainly, there is at least a superficial understanding of what ethnic conflict is, which is when competing groups engage in a struggle. Arriving to such a stage though and delving deeper into the philosophies of what constitutes ethnic conflict to have the act established is tied with the *genos* and *ethnos*. Technicalities aside, multi-ethnic existence within a state that conforms to uniformity is a model that tends to be more hostile towards ethnic minorities given the potential for discrimination (Jackson-Pearce in Cordell and Wolff (eds.) 2011: 22 – 23). Therefore, although there may be freedom within the state for ethnic minorities to practice and develop distinctness, there may also be a path towards the erosion of ethnic minority identities that is paved with an ideology that

does not facilitate homogeneity or harmony (Ibid). That is not to say that multi-ethnic coexistence is impossible or that all systems with ethnic minorities are inherently inclined to disregarding them but rather that a degree of attention should be given.

#### *Notion of the ethnie:*

The ethnie shares much in common with the nation but lacks the crucial element of having a sense of self-governance (Fenton 2009: 52). In this logic, if the ethnic group or ethnie wishes to practice self-governance then the entity would need to be labelled a nation (Ibid). However, a point to observe would be that many states are multi-ethnic in composition, which demonstrates that the state and nation are not always equated (Ibid). In the case of multi-ethnic states, the possibility can exist for smaller ethnic entities to move towards autonomous governance (Ibid). After all, the ethnie are only a small feature away from nationhood. Therefore, a potential solution that could promote harmony in a society utilizing ethnicity or ethnie as an ideological facet of society would be for the nation to loosely understand ethnicity and to stress the civic element rather than the ethnic one to develop the idea of a civic nation (Ibid). The “civic” element holds that people are “defined as citizens with legal status rather than as a people who share ancestry and origins” (Ibid). Many states in the international system conform to a civic nation formulation. One state though that emphasizes the ethnic element over the civic would be Israel, which has been described as an “explicitly ethnic nation” (Ibid) despite its multi-ethnic composition given its ideological foundations. While it can be argued that the civic is a contrary element to nationalistic sentiments promoting ethnic origins of people (Ibid), within the civic nation there is room for a reinvention, reinterpretation and revision; for example, with origin myths or historical sites under ethno-symbolism.

#### ***Ethnicity versus Race:***

At this point, a distinction between ethnicity and race must be clarified. The terms are not interchangeable (Gilligan in Cordell and Wolff (eds.) 2011: 79). Fenton has described that the terms “ethnic group”, “race”, and “nation”, while subtly different from each other share a common core, which is the idea of descent or ancestry (Ibid: 80). Fenton also elaborates that ethnicity, race, and nation are a series of discourses that are attuned to the historical demands of specific countries, regions, and internal social as well as politics dynamics (Fenton 2009: 49).

Such demands include the search for dominance over others. In the USA, the definitions of terms were across physical features and were central to the development of the country since its inception (Ibid). Native Americans and Africans were markedly different in appearance than the European descent settlers. Hence, “race” refers to the descent and culture communities that possess, “the idea that ‘local’ groups are instances of abstractly conceived divisions of humankind and that the idea that race makes explicit reference to physical or ‘visible’ differences as the primary marker of difference and inequality,” (Ibid: 22).

In the sciences, academics and practitioners had incorrectly asserted through observation that individuals from different parts of the world look physically different from each other because humankind is divided into biologically distinct groups or races (Gilligan in Cordell and Wolff (eds.) 2011: 85). However, it has been determined that not only is there greater genetic variation within a given human population than between two different populations but that boundaries that were arbitrarily constructed and that there were no such determinations made by nature (Ibid). Hence, races do not exist in any biological sense and they are even more pronounced as being at best social constructs. “Race” just like “ethnicity” was created and reproduced in the human mind and not through biology. Race takes characteristics of physical characteristics rather than ethnicity though, which is an important feature to note in order to distinguish the two.

### ***Influential Factors and Features of Ethnicity:***

Within ethnicity, there are features that hold a significant role in influencing the concept and consequentially the framework of resource nationalism. Some of the elements would be groups, migration, indigeneity, religion, and identity; with all directly affecting the case studies. Many of the facets can also dualistically apply to the nation, but can be regarded as more fitting within ethnicity.

#### ***Groups:***

A noticeable factor to briefly mention would be groups, which can be defined in a pluralistic sense in that a group would be three or more individuals that adhere to a particular psychological and social construct. Groups are durable and very real only insofar as the

psychology and social senses are confirmed. Groups cease to be real once such activities are stopped but can be resurrected at another time.

*Migration:*

Another factor would be migration, which has been described as “a primary social context for the formation of ethnic identities,” (Fenton 2009: 115) and is often referenced in groups. In this sense, the impact of migration must certainly not be undermined. After 1815 there was an era of voluntary mass migration that over 90.5 million people shifted around all inhabitable continents (Hirst and Thompson 1999: 23). With the advent of modern transportation technology and globalization, more countries than ever before have participated in migrations and even in relatively settled communities, there can be a commutation between a new country and a base country that contributes to the rise of transnational communities and transnational transfers (Fenton 2009: 117 – 118). Indeed, in the Persian Gulf region, migrations between the Arabian Peninsula and Iranian Plateau across the waterway and via the Tigris and Euphrates rivers have been occurring for millennia. The Middle East has been described as accounting for “more than 10 percent of the world’s total migrants and the oil-rich countries of the Arab Gulf have the highest concentration of migrant workers in the world,” (Calandruccio 2005: 268). The new paradigm of temporary and circular migration (Martin and Martin 2006) is exemplified in the region. Typically, migrants to the Arabian side of the Persian Gulf have “no expectations of permanent settlement or citizenship rights” (Ibid), despite forming a sizeable portion of the population (Fenton 2009: 119). Certainly, questions of integration and citizenship are just two of the numerous issues produced by migration. With modern migration, the state is a centripetal actor (Ibid: 124 – 125). The state regulates migration and has a role in determining the status of immigrants as well as minorities, which is also inclusive of migratory issues like citizenship (Ibid). Ethnicity is influenced by activities of the state, and shaping the identity of migrant communities can be one of its functions. The importance of migrant community identities would be with the survival, continuation, merging, or domination of an ethnic group with another; there is also the dimension of inhabitancy such as becoming a permanent settlement versus a transient one (Ibid: 125). This feature is undoubtedly applicable to the case studies of the Persian Gulf with Iran, Saudi Arabia, and the UAE all dealing with migration and migratory communities in their respective histories.



*Indigeneity:*

Tying into previously referenced features of ethnicity would be the notion of indigeneity. The definition of what is “indigenous” can indeed prove to be just as vague as the paradigms of ethnicity in that there is no universal consensus on describing the term. Rather, it is important to assert that indigeneity is socially constructed, which also entails that it can be reconstructed. For example, in South America indigeneity is often described as a characteristic possessed by the descendants of inhabitants that were subjugated by the colonial powers of Portugal and Spain (Sawyer and Gomez in Sawyer and Gomez 2012: 17 – 19). Since colonialism, postcolonial and commercial forces have attempted to assert control over indigenous peoples through social, political, and economic forms as well as seeking to convert, civilize, and modernize the lifestyles practiced by the inhabitants while exploiting the resources within the land (Ibid). Such an understanding of indigeneity has been recognized by many countries in the continent, including Argentina, Chile, Peru, and Venezuela. Therefore, it can be demonstrated that recognition holds a vital role in the social construction of indigeneity and exemplifies that the feature is socially fabricated. There are also geographic and historical parameters to consider given that regions can vary dramatically from one another. Nonetheless, indigeneity is commonly used in conjunction with ethno-symbolism in an attempt to establish the “earliest”, “original”, and therefore “authentic” members of a particular group to a certain area. In resource extractions, indigeneity becomes of strategic importance to the ethno-symbolist concerning rights to the properties.

*Religion:*

One of the more sensitive features of ethnicity would be that of religion. Smith had defined ethnicity as involving each of the following six features: a common name, a myth of common ancestry, shared historical memories, elements of common culture, a link with a homeland, a sense of solidarity (Smith 1986: 21 – 31). Under this frame, religion may fall under the common culture aspect that partially constitutes the ethnic; but this may not address the territorial as well as descent-related emphases (Ruane and Todd in Cordell and Wolff (eds.) 2011: 68 – 69). However, when investigating the Copts of Egypt, there are territorial as well as descent-related emphases. Indeed, there are many examples in which ethnicity and religion are used synonymously. Jews and Sikhs for instance are simultaneously ethnic and religious groups.

In this vein, there should be a distinction between interchangeability and ethnic religions, which in this respect would not only be Judaism and Sikhism but also be inclusive of others such as Hinduism, Shintoism, and Nuristani polytheism, which are contrasted to universalistic religions commonly referenced with Christianity and Islam (Ibid: 69). Tensions can arise with religion as those adhering to a particular set of beliefs as being a part of an out-group. Indeed, ethnic tensions can be featured with religion at the core. Dimensions such as conversion can further complicate matters (Ibid: 67). At times, religion can become very closely linked to politics. For instance, ethno-territorial claims made by Palestinians took larger and stronger religious connotations to garner further support for their cause (Ibid: 70). Tensions may be exploited in radicalism but could also comfortably coexist, reinforcing national origin myths, values, and ideologies informed by religious ideas (Smith 2003: 166 – 217). Religion can also prove to be malleable, shaped and formed to accommodate needs. Hence, religion from the aforementioned description is best described as a feature of ethnicity and while it does not necessarily constitute an ethnicity in itself, it sometimes can, but quite often is not the pivotal factor that determines ethnicity. Between the case studies, the sects of religion become particularly evident.

#### *Language:*

A commonly cited distinguishing feature between ethnic groups has been language. It has been labelled as a determinant for discerning ethnicity, but this view is irresponsible as it could very well be the case that an ethnic group could speak a variety of languages. Multilingualism can be seen in many countries with Kazakhstan, Russia, Switzerland, and Uzbekistan as examples. An aspect of language to note though would be with favourability and to members of a particular linguistic group. Once favourability has been established and it reaches a governmental state, perceived group threat theory begins to become relevant as at least one group may feel pressured since their respective linguistic group has not been treated equally.

#### *Identity:*

A final feature of ethnicity to cover would also be that which can be described is an underlying factor for other features already mentioned, which is identity. There is impressive psychological weight placed on this element given that it is determined by the inclinations of an individual. For example, in the USA there are a number of individuals that identify with Latin

America despite being in the USA and never seeing any site in Latin America. Hence, identities are not only socially constructed with psychological elements but also extremely powerful and complex as well. Identities can vary from group to group, subgroup to subgroup, and individual to individual (Ruane and Todd in Cordell and Wolff 2011: 69). Taking into consideration the multitude of ways that an individual would be able to identify themselves is crucial to understanding the Persian Gulf. In the littoral, it is not uncommon for members of a country to identify with a religion, sect of religion, language, and group. This multi-layered composition alone illustrates how diverse the area can be. Noting the fact that there are shifts in identities, such as with a change in beliefs or other situation, demonstrate the unstructured and vagueness encountered when addressing identity. One argument would be that the ethnic identity is instrumental above all else, which does work to a degree but is again not entirely justifying all the complexities associated with the feature (Kaufman in Cordell and Wolff (eds.) 2011: 92). The degree to which individuals form their ethnic identities for example is one of the difficulties (Ibid). Needless to mention, the parameters in which people form ethnic identities can lead to tensions on intrastate and interstate levels.

### ***Unequivocal Terminology and Vagueness Clarified:***

From the terminology reviewed it is apparent that none of the terms of state, nation, nationalism, ethnicity, and race are equivalent. In order to proceed consistently with the project, a distinction must be made between the terms though and usage must be clarified.

The state can be straightforwardly addressed in that it can be associated with “country”. While technicalities of the term in its philosophical elucidation may conflict with the likening, there will not be a conflict encountered in this project with such usage. Iran, Saudi Arabia, and the UAE will be regarded as sovereign and maintain independence from other authorities; meaning that no case study will be referred to or considered a client state. All case studies have declared sovereignty and autonomy from each other. Additionally, each case study recognizes the others’ boundaries although tensions do exist between Iran and the UAE over the Abu Musa, Greater Tunb, and Lesser Tunb islands. Border insecurity between Saudi Arabia and the UAE is also a sensitive issue given the dominating presence of Saudi Arabia on the Arabian Peninsula but there are political boundaries and geographical divisions that are recognized by both parties to delineate state borders.

I will also adopt for the most part the definition of “nation” proposed by Smith given its neutrality, objectivity, and applicability to the project. He has defined a nation as, “a named human community residing in a perceived homeland, and having common myths and a shared history, a distinct public culture, and common laws and customs for all members,” (Smith 2010: 13). The only potential issue with the definition proposed by Smith is “homeland”, which is a conceptual term that has connotations of its own and can arguably be a concept that does not have any empirical basis; meaning that “homeland” only exists in the theoretical realm and the psychology of people while having no inherent tangibility and therefore lacks empiricism. To the credit of Smith, he specifies that homeland is perceived, yet the definition can be modified to instead have the understanding that a human community can be residing in a territory that is perceived as their own. Nonetheless, Smith provides a crafted definition that has commonalities with other explanations that have been provided for the concept of nationhood. In this vein, the paradigms of nationalism will be used and depend on the case study for usage.

Ethnicity will be understood from Smith as well given its neutrality, objectivity, and applicability to the project, which would also keep in consistency. The definition of ethnicity proposed would be, “a group is an ethnic group if its members share the following traits: a common name, a believed common descent, elements of a shared culture (most often language or religion), common historical memories, and attachment to a particular territory,” (Kaufman in Cordell and Wolff (eds.) 2011: 92).

Given the closeness of relation between ethnicity and nation even with the definitions of Smith being used, usage of “nation” will be more so with the political referent whereas “ethnicity” will not. However, it could be applicable at times to use the term “nation” in place of “ethnicity”, but this again will be evident in context. The term “race” will not be used in this project as it is inapplicable to the region given that phenotypes across the Persian Gulf are not indicators of belonging to a particular ethnic group or nation and moreover cannot be readily discerned in all scenarios.

### ***The National and Ethnic Components of Resource Nationalism:***

The national and ethnic components to resource nationalism are of vital importance to the vivification of the framework and should be reviewed with applicability to the case studies. Indeed, the basis for tensions can be difficult to comprehend without an understanding of why

there would be a rise for strains to occur. Three integral drivers will hence be covered that are rooted in the national and ethnic components of the framework.

*Competition:*

The first element to be covered would be that of competition. Humankind has long been in contest for access to resources and this can be viewed as one of the core drivers for tensions. Barthian emphasis denotes that socially constructed boundaries through which ethnic groups ascribe difference determine a mode in which competition is set (Fenton 2009: 93). In environments such as the workplace, boundaries such as “white”, “black”, “Asian”, and “Hispanic” become mechanisms in which there is reinforcement (Ibid). Competition theory builds on ethnicity, which can noticeably be observed in a competition model. For example, Group A can perceive competition with Group B as a threat and develop antagonism towards Group B as a result (Ibid: 113). Hence, prejudice and antipathy between groups should be recognized as a natural occurrence. Within the case studies given that there are a number of ethnic groups, there will subsequently be expectations of tensions as well.

*Conflict:*

An additional element to be mentioned would be that of conflict, which in many respects can be seen as an amplification or result of competition. Ethnic conflicts in particular are very real and tangible contests, such as over the status of holy sites in Jerusalem, and are often stemmed from the manner in which individuals define their identities rather than a desire for materialism (Kaufman in Cordell and Wolff (eds.) 2011: 91). A conflict is ethnic though “only if all the sides if all the sides involved are distinguished primarily on the basis of ethnicity. Often one or both sides in an ethnic conflict will be a coalition of ethnic groups, rather than a single one, but the conflict is still ethnic because the people involved choose sides on the basis of their ethnic group membership, rather than other considerations such as economic interests,” (Ibid: 93). In ethnically diverse societies, it is often the case that conflict over economics is equated with ethnic issues, especially when there is a disparity between populations and one group outnumbers another (Ibid: 95).

*Civil War:*

An extreme result of competition and conflict would be civil war, which is encapsulating of widespread violence and is an amplification of conflict. Such a result is visible throughout the world, such as with the Middle East in Syria, North Africa with Libya, Sub-Saharan Africa with the DRC and South Sudan, as well as Europe such as the case in Cyprus.

***Resource Nationalism versus Resource Nationalization:***

With the concepts of the state, nation, nationalism, and ethnicity covered, a brief but important distinguishing must be made between nationalization and nationalism that has implications for the project framework. Nationalism, given its close relationship and sometimes interchangeability<sup>77</sup> with nation, operates intimately with the nation. Logic dictates that nationalization therefore must also operate intimately with the nation as well though, so there must not be a real or significant difference between the two. However, this is not the case upon closer inspection. This would be due to the fact when “nationalism” or “nationalization” are coupled with the prefix of “resource”, the understanding changes in that resource nationalism is encapsulating more so of other components, namely the state and ethnicity, while resource nationalization is more exclusive to its relationship with the state. For instance, should a procedure of resource nationalization occur, this would be with specific reference to a state implementing a policy of nationalizing resources; which in political terms is more referring to the state than nations, nationalism, and ethnicity. This is not to say that resource nationalization does not have impact or consideration for the other concepts but that resource nationalism instead is more so appropriate for dealing with all four components. Naturally, the state can likewise implement a policy of resource nationalism but similar to how there are subtle differences and sometimes none between nation and ethnicity, resource nationalism and resource nationalization at times share common functions but also operate on preferred levels in which one would be more appropriate than the other.

An interesting implication for resource nationalization versus resource nationalism on a international geopolitical scale would be that if a country such as Iran, which is under international sanctions, undertakes a policy of resource nationalism instead of resource

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<sup>77</sup> Anthony Smith has used nationalism and nation interchangeably given his view that the two share a symbiotic relationship (2012: 12 – 13).

nationalization and there is a ban on the importing of Iranian oil it begs the question as to whether the well-being of a nation is being sanctioned rather than the state economy. Meaning, sanctions are intended to punish a state and not necessarily a nation for a particular action, set of actions, and/or behaviour. Indeed, Iran may not be the only case in which this may occur and there can even be cases in which the state is not necessarily wholly targeted but rather only a particular sector of the state economy. It should be mentioned that while there are specific sanctions targeting the Iranian energy sector, particularly with oil and gas, there are also other sanctions against the country such as exporting arms and obtaining technology that could be used for the production of weapons of mass destruction. There is certainly space for moral connotations and debate to surround issues like sanctioning a nation versus a state in terms of resource nationalism versus resource nationalization; however, this will not be addressed in the project.

### ***Gauging Resource Nationalism:***

From the components of resource nationalism being thoroughly evaluated a helpful viewpoint on assessing the usage of the framework can be now addressed. With respect to case studies, resource nationalism can be seen as a scale with four areas of stress; those being the state, nation, nationalism, and ethnicity (Figure 2.1). Each of these areas acts as a type of weight on the scale given the fact that no two usages or interpretations of the framework will be the same, meaning values are placed differently on separate areas of the scale. Indeed, it will be demonstrated that some cases will stress more emphasis on the state, others ethnicity, and others nation as well as nationalism. The framework may appear as seemingly rudimentary given its basic understanding, however it is in fact extremely powerful and increasingly complex with implications that have the potential to affect sectors and entities well beyond its initial application. Consequently, an investigation may become convoluted to comprehend its intricacies. At this point, it should be mentioned that there is no balance ever experienced in the scale. Rather, it is a shifting set of values that can be adjusted accordingly to a situation such as short term versus long term alterations to the emphases on the weights. The purpose of the scale perspective on assessing resource nationalism would simply be for providing an understandable step in comprehending the complexities of the framework usage in case studies. While it is not necessary to utilize such a view to understand the framework, it will be touched upon in this

project with the case studies of Iran, Saudi Arabia, and the UAE to make the study more intelligible to a wider audience.

### ***Conclusion:***

Resource nationalism is a single multidimensional framework that is applicable to numerous case studies that extend far beyond the ones selected for this project. However, in order to understand it, there are layers of components that must be addressed and defined in order to keep it structured and logically consistent. Vague definitions, ambiguity, and the slippery slope inclination of concepts such as the state, nation, nationalism, and ethnicity are issues that must be resolved before investigating the framework with any case study. The term “nation-state” for example will not be used given that the word is an amalgamation of two separate concepts that have already been defined for the project and moreover the term can certainly be seen as inherently contradictory. Obviously, there are cases of stateless nations<sup>78</sup> and nationless states<sup>79</sup> that exist in the world, which means that including usage of the term would be counterproductive. Similarly, the term “race” will not be used due to the potential moral and political tones of the word as well as its unfavourable historical usage. Moreover, it is a term that would be highly insufficient and unreliable for determining group membership, such as Arab versus Persian, in the Persian Gulf region. Religion, language, and other additional descriptive features that can contribute to the understanding(s) of nation and/or ethnicity will be addressed accordingly in the study. With an understanding of all the terms provided and clarified for the purposes of the research, a deeper understanding of resource nationalism can be explored.

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<sup>78</sup> The Kurds for example can be regarded as a stateless nation given their status of existing between multiple states, with majority of the population residing between Iran, Iraq, Syria, and Turkey, while simultaneously not possessing a formalized sovereign state of their own.

<sup>79</sup> An example of a nationless state would be the Vatican.



### **Chapter 3: Resource Nationalism and Ethnic Tensions in Iran, Saudi Arabia, and the United Arab Emirates**

This chapter will address resource nationalism as well as the ethnic tensions that are present in the case studies of the Persian Gulf following the theoretical paradigms covered in Chapter 2. The chapter will first cover accounts of resource nationalism since the concept possesses many understandings given its amorphous definition. Coupled with the accounts of the concept would be the motivations and incentives for implementing resource nationalism. Next, state interpretations of resource nationalism in the case studies will be examined. There, historical usage of the concept in addition to its experience within the case studies will be covered. Naturally, the interpretations will vary depending on political systems as well as temporal context and is important to review since it impacts the current manifestation of resource nationalism in the case studies. The chapter will then move to address the role of ethnicity in association with resource nationalism. Particularly, a conceptual overview of ethnicity and its factors leading to tensions will be touched upon as it will provide a structured platform from which the association of resource nationalism and ethnic tensions can be analysed. Afterwards, current manifestations of the concept using the aforementioned findings will be explored. Sovereign Wealth Funds will subsequently be accounted for as it will be revealed that their establishment and sustainment is directly correlated with a policy of resource nationalism. Next, the shortcomings of the concept will be mentioned since every notion has its limitations, which are moreover areas in which the concept will be able to modify and ameliorate in order to make up for its inadequacies. Following a product of resource nationalism, the conclusion will lead to the succeeding chapter of energy security and the geopolitics of petroleum.

#### ***Accounts and Drivers for Resource Nationalism:***

It is without further declaration that resource nationalism is lacking a set definition. Yet, while absent boundaries can prove to be serious detriments with other concepts it is in fact the formless nature of resource nationalism that contributes to its exceptional quality of applicability. It demonstrates a dynamism that is not maintained by other theories, having potential applications and influence across all fields of the social sciences. Covering some of the descriptions of resource nationalism from different industries, scholars, and schools will not only

demonstrate its dynamism as well as range of applicability but will also create a setting in which resource nationalism can be understood when applied to the case studies of the Persian Gulf.

Resource nationalism has already been described as the case in which governments and/or ethnic groups lay claim to natural resources located in their territory for the purpose of ownership and control (Nurmakov in Overland *et al.* 2010: 20 – 21). Such a general definition though does not always justify the intricacies that the concept manages, especially with regards to various industrial sectors. For example, in terms of oil and gas it has been described as the case in which international oil companies (IOCs) find it more difficult to operate in another country due to the presence and role of national oil companies (NOCs), which prevent IOCs from operating freely and without bounds within a particular territory (Bahgat 2012: 13). It should be noted of course though that the latter argument as framed by Bahgat is extremely narrow in its description of the concept since it has only been applied to oil in its characterization. Limiting resource nationalism conceptually to simply a single resource such as oil when the theory can truly be applied to all natural resources such as gas, water, foliage, precious metals, and rare earth elements demonstrates that the boundaries framed by Bahgat is insufficient in capturing the dynamism and range of natural resources that the theory can be applied to. For instance, in the mining sectors an understanding of resource nationalism would be that the concept “encompasses efforts by resource-rich nations to shift political and economic control of their mining sectors from foreign and private interests to domestic and state-controlled companies,”<sup>80</sup>. Similarities between resource nationalism although being described in distinct industries are clear. One significant element would be that there is an implementation of a state-owned company that is designed to interact with the international companies in dealings with foreign investments in the importation and exportation of the natural resources in question. Another commonality would be that there is a shift of power, namely with that of ownership and control over the natural resources; meaning that there is a perceived dominance that must be addressed in such a way that a transition occurs. Also, the parties involved would be a shared element across understandings. Some of the components would be a domestic authority (typically a government), ethnic group(s), and an international market that is to be interacted

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<sup>80</sup> Samuel, J. (2013). “Resource Nationalism and Mining – Potential Issues and Responses.” Centre for Social Responsibility in Mining, the Sustainable Minerals Institute, The University of Queensland. Available online: <http://www.youtube.com/watch?v=24jtYUnU360> (Last Retrieved: March 6, 2013).

with<sup>81</sup>. A foreign presence is not mandatory for resource nationalism to be spurred since a conflict of interests between domestic parties or groups could occur and promote a move towards resource nationalism as state policy rather than be due to a perceived outside dominance.

Other common understandings would be when resource nationalism is described as a process or situational set of circumstances such as when “the threat of tax increases, [which leads to a] renegotiation of terms, larger participation of state-owned companies and ultimately nationalization,”<sup>82</sup>. Another would be describing resource nationalism as the “situation where producer countries want to maximize their [future] revenues from present production by altering terms of investment,” (Ibid). It is important to note that maximization of future revenues also entails that there is a perceivable profit to be made, which can impact the perception of other industries since many of the oil and gas producing countries do not focus so much on other industries like agriculture or mining with a view of resource nationalism since the profits are seemingly greater with petroleum.

Following such understandings of resource nationalism would be what has been termed by some scholars and schools as its “forms”, which are with specific reference to resource nationalism as state policy. One form would be state domination, in which populist and geopolitical agendas threaten investors with expropriation in favour of national or oligarchic companies (Nurmakov in Overland *et al.* 2010: 20 – 21). Another would be balanced state participation, where politically articulated desires to capture greater benefits from resources may jeopardize contracts, with increasing state ownership in projects (Ibid: 20 – 21). A third form would be geopolitical expediency, in which the authorities use resources to secure foreign policy objectives, making contracts highly vulnerable to license revocation (Ibid: 20 – 21). An additional form would be greater economic participation, where domestic policy agendas may lead to increased tax rates and pressure on operating profits (Ibid: 20 – 21). The forms of resource nationalism are particularly relevant in the growing understanding of the concept as fronted by many of the resource-rich countries that comprised the former USSR such as Azerbaijan, Kazakhstan, Kyrgyzstan, Russia, and Uzbekistan. In particular, the state domination model is especially relevant since national and oligarchic companies are leading enterprises in

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<sup>81</sup> But this is not a necessary requirement since theoretically the state could move towards resource nationalism for the sheer purpose of natural resource management and state efficiency.

<sup>82</sup> Samuel, J. (2013). “Resource Nationalism and Mining – Potential Issues and Responses.” Centre for Social Responsibility in Mining, the Sustainable Minerals Institute, The University of Queensland. Available online: <http://www.youtube.com/watch?v=24jtYUnU360> (Last Retrieved: March 6, 2013).

the aforementioned countries such as can be found with State Oil Company of Azerbaijan Republic (SOCAR), KazMunaiGaz (KMG), Rosneft, and Uzbekneftegaz.

But what are the incentives and motivations for states to implement resource nationalism? Economic drivers would be that there are high perceived profits to be gained from a particular industry<sup>83</sup>. In the case of oil and gas the apparent gains of immense petrodollars to the state and the fact that PSAs can broker funds quickly establishes the fact that rapid economic capitals can be generated without significant economic development since the oil and gas deposits are simply standing for collection. Of course, petroleum is not the single area in which there are perceived profits from natural resources, which again highlights the applicability of resource nationalism. As mentioned before, other industries such as with mining materials like gold, columbite-tantalite (coltan), and diamonds are sectors that have seemingly large revenues to be gained (Nest 2011: 42). Another incentive that is commonly cited would be the lack of perceived benefits to host countries and/or communities from which materials are taken. Essentially, a relationship which a “fairer share” is given to host countries and/or communities by international companies and/or investors is desired and in such a situation resource nationalism seems to be an effective option in creating such a relationship. Supporting such a move would be a changing balance of power between resource owners and developers in which the international system has moved in a direction where it has become a more acceptable norm in to respect state sovereignty; inclusive of the rights to ownership and authority over natural resources located within its boundaries. Moreover, there is a general industry shift from capital to opportunity constraints as demand has grown and more customers are readily able to participate in the services related to natural resource production. It had been a fixed standard for over a century that the industrialized countries, namely Western Europe and the United States, were the harbingers of international companies and investments for the development as well as reaping of natural resources in other territories around the world. However, the era in which international companies and investors from traditionally industrialized countries have previously dominated is starting to see the threads of its binding unravel as developing economies and newer business strategies enable other countries to compete. A clear illustration of this observation would be with China and the

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<sup>83</sup> Samuel, J. (2013). “Resource Nationalism and Mining – Potential Issues and Responses.” Centre for Social Responsibility in Mining, the Sustainable Minerals Institute, The University of Queensland. Available online: <http://www.youtube.com/watch?v=24jtYUnU360> (Last Retrieved: March 6, 2013).

rise of Sinopec to being one of the largest companies in the world<sup>84</sup>. Sinopec operations are conducted in major regions such as the Middle East, Central Asia, North Africa, Sub-Saharan Africa, and the Asian Pacific<sup>85</sup>. Continuing the rise of Sinopec into future development would be evidenced by research deals made with petroleum majors such as with ConocoPhillips to conduct shale gas studies<sup>86</sup>. Other countries such as Brazil, Russia, India, South Korea, and Japan are also starting to pick up on the international scene especially with respect to competition with traditionally dominant countries. An example would be with India conducting petroleum deals with Iran despite the US-led sanctions. With Western companies and traditionally dominant ones adhering to trade policies such as those with the sanctioning of Iranian petroleum, developing economies using their own international companies will be able to have more freedom in choosing to deal with similar scenarios differently than their Western counterparts. Ironically, in limiting trade relations with Iran in an attempt to coerce policy changes in the country, Western companies have bolstered competition and facilitated the rise of companies operating out of developing economies. After all, especially with industries related to natural resources the commodities are in limited supply and once the materials are depleted they are gone forever without the possibility of replenishment. Signifying in turn that should larger companies remove themselves from competing then smaller companies can assume the role and eventually gain enough momentum to provide full-scale economic opposition as well as alternative.

The instances of the rise of new economies seamlessly ties in to the drivers of resource nationalism on socio-cultural and technological levels. A noteworthy start would be the technological advancements in the communications sector, which have revolutionized the conduct of business between international investors and host countries. Certainly, a higher percentage of propositions and ventures are communicated between the two compared to previous years since contact is more responsive and frequent than ever before. Moreover, business volume raises as time progresses since services that were once expensive and designed for an elite customer base are becoming readily available to the public in the form of cost-efficient amenities such as secure mobile devices, internet-based calling, and electronic messaging. Technological diversity would also be a contributory factor to fostering resource

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<sup>84</sup> <http://money.cnn.com/magazines/fortune/global500/2011/snapshots/10694.html> (Last retrieved: January 1, 2014).

<sup>85</sup> <http://investing.businessweek.com/research/stocks/private/snapshot.asp?privcapId=47066333> (Last retrieved: January 1, 2014)

<sup>86</sup> <http://www.reuters.com/article/2012/12/25/china-sinopec-conocophillips-idUSL4N09Z11Q20121225> (Last retrieved: January 1, 2014)

nationalism in host countries since the rise of Asian technologies as direct competition to pre-existing Western ones provides alternative markets for host countries to deal with. Indeed, this technological driver links with the socio-cultural phenomena of “Asianization”; which is understood as a process in which Asian economies are expanding international influence and is evidently apparent in resource-rich economies such as those of the case studies. Technological drivers as evidenced by the communications sector and rise of industrializing countries hold vital roles in the strengthening of a host country implementing resource nationalism since more options are available to the host; empowering the country to choose between a selection of options. However, technological factors have been demonstrated to be sharing a relationship with socio-cultural drivers such as with Asianization. Other cultural drivers would be that on a global scale in an idealistic sense there has become a growing awareness and consequential intolerance of poverty. There are greater expectations on businesses operating in host countries to have a constructive role in the alleviation of dire conditions, particularly when concerning natural resources located within an area that is already stricken with poverty. Negative publicity with international companies such as BP and ExxonMobil having caused or facilitated destructive issues such as environmental damage due to oil spills<sup>87</sup>, burdening of economic hardships onto host populations due to incompetent adherence to standard operating procedures<sup>88</sup>, and the lack of improvement of living conditions for populations inhabiting resource-rich areas create a legacy that international companies can no longer afford to uphold given potential backlashes that may ensue including public outcry, demonstrations, and the threat of license revocation. Competition provided by other companies can be sought as replaceable alternatives to incompetency. After all, it would reflect poorly on a host country should there be a known tolerance of perceivable abuse towards populations inhabiting resource-rich areas such as with the conflict-ridden areas of the Niger Delta (Ariweriokuma 2009: 255), fisheries in the Azeri waters of Caspian Sea expelled from operation and forced into abandoning the sole means of income in favour of deep-water drilling, and violence promoted in the Fergana Valley over the rights to fertile land are some areas in which negative legacies will be enduring. A history of similar cases that can be found across the globe in different time periods reinforce a socio-cultural driver of inheriting a negative legacy since they are viewed as contributory to many

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<sup>87</sup> An example would be the Exxon Valdez oil spill.

<sup>88</sup> Evidenced by the Gulf of Mexico spill.

distressing international issues such as climate change, pollution, biodiversity reduction, food security, human rights abuse, water availability, conflict. At the time of the writing of this chapter some issues would be the mining strikes in South Africa, the selling of Syrian gas fields by the Israelis to firms operating in the USA, and the further polarization of Erbil in the Kurdistan Regional Government against the centralized southern-based Baghdad. Consequently there ought to be a sense of responsibility and duty by international companies and investors to alleviate as well as improve domestic issues so as to disassociate themselves from the adverse past, but of course this is once again in an idealistic sense and not necessarily the reality.

Political drivers therefore already have an obvious stage in which they will become active. One would be that emerging economies are striving to have their presence made significant in the international system. Another desire at least with respect to emerging economies would be asserting state interests as their economies and foreign interactions develop. An additional political driver would be a rise in the global awareness of democratic political structure, which encourages group participation and activity when concerning the distribution of natural resource wealth. Symbiotically, local empowerment also increases, which also ties in to paradigms of the nation.

### ***State Interpretations of Resource Nationalism:***

The littoral countries of Iran, Saudi Arabia, and the UAE along the Persian Gulf each have a distinct interpretation of resource nationalism. The influence of the concept can be clearly observed in each of the case studies and in the circumstance of Iran, resource nationalism has even taken a step further from a theoretical framework to be moreover implemented in the constitution and enacted as state policy. Before an overview of state interpretations of resource nationalism is presented, the common constituent of nationalized companies will be discussed since it is an ever-present fundamental that has been employed as a result of the concept. A popular implementation would be with the usage of NOCs, which are oil corporations that are entirely or majority-owned by the state. NOCs have been gaining significant momentum in the world of oil and account for majority of the control exercised over proven global oil reserves. Additionally, NOCs have been acting outside their traditional respective state boundaries and are increasingly investing abroad, which rivals the historical role and economic power held by IOCs.

In this vein, IOCs such as the “supermajors”<sup>89</sup> of British Petroleum (BP), Chevron, ConocoPhillips, ExxonMobil, Royal Dutch Shell, and Total have been obliged to interact with NOCs in order to maintain some sort of stake in the oil sector of a foreign state. Yet what is the relationship of NOCs with resource nationalism and why is it moreover significant? NOCs are noteworthy because they enable states to assert control over oil reserves within their borders and consequentially exemplify the desired outcome of resource nationalism. Indeed, the companies hold a vital role in the country and empower it to exercise governance over a valuable industry. Of course, as stated before oil is not the sole material of focus that can be covered by resource nationalism and gas has already been mentioned as another resource that will be included in the research. NOCs, as a company exclusive of gas, have simply been discussed since they are an example that directly relate to the study and are companies that have nationalized a particular resource, which is illustrative of a product shaped by resource nationalism. With respect to gas, it should be noted that transportation of the substance is much more efficient through a liquefied natural gas (LNG) process that converts gas into liquid form. Also, while there are companies that exclusively deal with LNG and are nationalized, NOCs are far more popular because of its cost of transportation and production being less than that of LNG coupled to its extensive history. However, oil and gas are many times grouped together under the term “petroleum” since they can be found in the same reserve and nationalized, examples from the Persian Gulf region would be Qatar Petroleum (QP) and Dubai Petroleum Company (DPC). As the theme of nationalized companies has been briefly addressed with respect to the concept, the case studies will be presented and evaluated.

### *Iran:*

Resource nationalism in Iran has extensive historical roots that stems back to the early half of the twentieth century with Mohammad Mossadegh advocating the nationalization of Iranian oil and gas, which effectively removed the dominance of the Anglo-Iranian Oil Company (AIOC) in the country. Prior to nationalization the AIOC had long established itself as the oil and gas industrial authority of Iran and reaped the benefits of securing and processing foreign hydrocarbons. Industrial presence in the petroleum sector of Iran though preceded the AIOC,

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<sup>89</sup> The term “Seven Sisters” has also historically been used to describe the top global hydrocarbon companies prior to the merging of Exxon and Mobil.



with the earliest interactions being between William Knox D'Arcy and Mozzafer al-Din Shah Qajar in 1901. The initial agreement granted exploration rights to D'Arcy in exchange for equal amount of shares to the shah in his company as well as a future promise of 16% profits made (Ibid). While the D'Arcy Concession is not exclusively a PSA since it also possesses exploration rights clauses, which is a feature that is now separate from PSAs, it was certainly regarded as one. Despite being of wealthy background though D'Arcy and his exploration team encountered financial difficulties in his search for Persian oil. However, in 1908 when operations were nearly halted altogether significant reserves were discovered (Ibid). The founding of the Anglo-Persian Oil Company (APOC) ensued with D'Arcy selling most of his shares to the Burmah Oil Company in an effort to recuperate from his losses. In 1909 APOC assumed all operations with D'Arcy as a board member, keeping to the original terms agreed upon in the D'Arcy Concession (Ibid). In 1925 Reza Pahlavi staged a successful *coup d'état* against the ruling Qajar monarchy with British support. The implications for the petroleum sector were not immediately clear since the initial policy of the D'Arcy Concession stood. But, in an effort to generate more funds towards the central government, assert a greater degree of control over state resources, and lessen the presence of a concession that was widely unpopular throughout the country, Reza Shah fronted a revisionist policy towards APOC. At the preliminary forefront of renegotiations from the Persian side would be Abdolhossein Teymourtash, who argued that a revisiting of the terms of the D'Arcy Concession was crucial given that national wealth had been granted in pressure under inequitable terms by a non-constitutional government. Changes made since the ousting of the Qajars would not only be a constitution but also a complete transformation of government in addition to the newly changed name of the country (Ibid). Teymourtash strengthened the Persian position in negotiations by retaining French and Swiss oil experts (Ibid). However, after years of attempted renegotiation Teymourtash was unsuccessful. Reza Shah then directly intervened in the negotiation process and in a dramatic series of events, which was elevated to The Hague, a revisionist set of policies were once again unsuccessful. In 1933 following the repeated attempts there were contractual modifications that ensured corporate responsibility on behalf of APOC for the development of surrounding areas to petroleum reserves, albeit with production revenues in favour of the British. But, once again the majority of funds were directed away from the central government in addition to a pittance of the petroleum revenues being received due to the multiple subsidiary companies that were created in an effort to maximize APOC earnings.

Ultimately, despite the changes in rhetoric and contractual revisions the resulting effectiveness amounted to the former being nominal at best with Persian petroleum wealth being exploited. In 1935 APOC was renamed to the AIOC following the name change of the state and operations continued following the APOC contract as well as frameworks. The onset of World War II found Iran in a declared neutral position; however, the crucial transportation routes and vast petroleum reserves were too precious for the Allies to even consider losing to the Axis powers. In addition the Persian Corridor provided routes for the British to provide the Soviet Union with supplies to engage Nazi Germany and the Axis. Consequently, in 1941 the Anglo-Soviet Invasion of Iran occurred with the Soviet Union occupying the northern regions of the country and the British occupying the southern regions of the country. Reza Shah was forcibly abdicated under duress to his son, Mohammed Reza Pahlavi, in 1941 following the joint invasion and ensuing withdrawal from the country (Ibid). Within a decade of the invasion however petroleum affairs in Iran began a new cycle with Mohammed Mossadegh gaining traction in the Iranian parliament. Mossadegh campaigned with nationalistic fervour and politically manoeuvred multiple Iranian parties to support his operation for the nationalization of Iranian oil and gas. In 1951 the Iranian parliament voted to nationalize Iranian oil and gas, thereby wresting AIOC presence away from the country. Mossadegh was shortly afterwards elected Prime Minister of the country and after an abdication of Mohammed Reza Pahlavi followed by a brief period of democratic rule; Mossadegh was removed in a coup d'état funded by the Central Intelligence Agency (CIA) under the name cryptonym of Operation Ajax. Mohammed Reza Pahlavi reassumed his former role as Shah and ruled until the 1979 Iranian Revolution. By the end of his reign, Iran had achieved its objective of controlling domestic natural resources, which was gained through skilful diplomacy, negotiations, and agreements with IOCs. Notable contractual agreements would include five major agreements throughout the 1960s with IOCs that directed significant cash flow to the central government<sup>90</sup>. Another would be the 1974 Petroleum Act and Risk Service Contracts, which reaffirmed Iranian ownership over natural resources and concluded that exploration and production agreements with IOCs “could only be reached under contracts in which the contractor had no ownership rights to reserves discovered during explorations nor to any production from the agreement area,” (Ibid).

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<sup>90</sup> <http://www.iranicaonline.org/articles/oil-agreements-in-iran> (Last Retrieved: December 1, 2014).

Regardless of the changes in government since the nationalization of petroleum, Iran has maintained a state policy of resource nationalism since 1951 and has followed through decades of an evolutionary but deliberate process of asserting control over its own natural resources. Iran has even gone so far as to create constitutional articles since 1979 explicitly stating its position on domestic petroleum reserves. Three particular articles in the existing constitution that are concerned with natural resources, its ownership, and distribution would be 44, 45, and 81. A translation of Article 44 states, “The state sector is to include all large-scale and mother industries, foreign trade, major minerals, banking... shipping, roads, railroads and the like; all these will be publicly owned and administered by the state,” (see Appendix A). The phrase “owned and administered by the state” is critical to understanding the inherent constitutional position of Iran with respect to the possession of state materials such as natural resources. Not only is there a conscious idea of the state being a collective entity belonging to the citizens of the country but also that the phrase forbids any form of privatization, including private investment(s) whether foreign or domestic in addition to any private ownership of the sector irrespective of scale (Shahri 2010). Article 45 states, “Public wealth and property, such as uncultivated or abandoned land, mineral deposits, seas, lakes, rivers, and other public waterways, mountains, valleys, forests, marshlands, natural forests, unenclosed pastureland, legacies without heirs, property of undetermined ownership, and public property recovered from usurpers, shall be at the disposal of the Islamic government for it to utilize in accordance with the public interest. Law will specify detailed procedures for the utilization of each of the foregoing item,” (see Appendix A). While some natural resources have been mentioned in Article 45, the notion of petroleum is noticeably absent. However, the tangential association of petroleum to Article 45 would be through the Islamic concept of *anfal*, meaning public wealth and property. The concept entails that *anfal* belongs to the God and the Prophet Mohammed but in place of the two would be the government of the Islamic Republic of Iran. Following a Shia doctrine, *anfal* cannot be sold or transferred to anyone, which creates serious impediments and difficulties for privatization whether foreign or domestic. Implicitly, natural resource wealth is categorized under *anfal* and is inclusive of oil and gas revenues. Article 81 states, “The granting of concessions to foreigners for the formation of companies or institutions dealing with commerce, industry, agriculture, services, or mineral extraction, is absolutely forbidden,” (see Appendix A). The phrase of “absolutely forbidden” in the context of Article 81 signifies that theoretically should concessions

be even attempted to go forth with approval through the Iranian Parliament the motion would not hold any legitimacy. Of course, it is important to note that simply proposing concessions in the Iranian Parliament is expressly forbidden by the preceding Articles. Following the constitutional articles in addition to the nationalization process proposed by Mossadegh in the 1950s the Iranian government is the sole authority that can legitimately deal with natural resources, particularly concerning petroleum. As a result, Joint Operating Agreements (JOAs) and joint ventures are illegal in Iran (Shahri 2010). The three aforementioned articles are the premises for the prohibition of concession granting, PSAs, joint ventures, and any other contractual regime(s) involving foreign participation and/or control, ownership, and/or establishment of foreign companies with respect to the natural resource sectors.

The state interpretation of resource nationalism in Iran can be clearly observed on a number of levels. The earliest attempts to regulate concessions through parliamentary procedure in 1906 under the Mashruteh Constitution (Abrahamian 2008: 47) were ineffective and led to further efforts by subsequent regimes to assert more control and authority over the natural resources located within the state boundaries. It was not until the arrival of Mossadegh that a state policy of nationalization was able to be enacted, creating the basis for resource nationalism in the country. The initial form resource nationalism took in the Mossadegh period would best be described as balanced state participation, in which politically articulated desires to capture greater benefits from resources may jeopardize contracts, with increasing state ownership in projects (Nurmakov in Overland *et al.* 2010: 20 – 21). Under the same political figure the model evolved to take on a state domination form, in which populist and geopolitical agendas threatened investors with expropriation in favour of national or oligarchic companies (Ibid: 20 – 21). AIOC in particular was the target company of nationalizing the petroleum sector and was essentially nullified with the creation of the National Iranian Oil Company (NIOC), which fundamentally co-opted the AIOC into Iranian possession. At present the NIOC still maintains a significant presence in Iranian petroleum affairs and has experienced a turbulent record of extreme polarizations, with highs and lows of oil pricing affecting the state revenues. After the ousting of both Mossadegh as well as Mohammed Reza Pahlavi the 1979 Iranian Revolution specifically referenced natural resources and concessions for the newly formed Islamic Republic, which highlights the importance of natural resource management to the nation. Given the previous track of unimpressive management and corruption the articles in the constitution were

designed to minimize institutionalized deficiencies, mismanagement, and eliminate foreign influence. To further solidify and bolster the articles of the constitution that are concerned with natural resources would be the presence of nationalized companies such as NOCs. The continuing legacy and existence of NOCs to the current regime indicates that a nationalized company for the management of oil and gas wealth is an entity that is positively received by the nation. Certainly the psychological benefits of removing foreign influence to be replaced by national interests are obvious and visibly present with the creation of nationalized companies. State interpretation therefore is demonstrated with the constitution and its articles, the presence of nationalized companies such as NOCs, and the history of interaction with politics such as with the parliamentary procedures under the Iranian nationalist Mossadegh. Foreign domination in the Iranian petroleum sector was perceivably wrested away to be under national control and for more financial benefits to be directed to the central government of the state.

### *Saudi Arabia:*

Resource nationalism in Saudi Arabia is strikingly different to that of Iran; one noticeable difference would be the lack the parliamentary drama that occurred in Iran due to the monarchical structure that has existed in the state since 1901. After a series of wars by the Al Saud tribe, the Kingdom of Saudi Arabia was declared in 1932 following the conquest of much of the Arabian Peninsula that included former autonomous authorities under the Ottoman Empire such as Najd and Hijaz. Abdulaziz Al Saud was proclaimed king and generated much of his funds historically via taxes on pilgrims to Mecca and Medina. However, following a decline in pilgrimage taxes due to a lower number of visitors coming to the region, an alternative source for generating wealth was pursued by the Al Saud. Indeed, prior to 1938 there were an additional two other major factors that triggered the search for petroleum in the Arabian Peninsula, which was the demand for oil during the course of and the period following World War I as well as the discovery of oil by APOC in north-western Persia. The latter led to speculation that the Eastern Province bordering the Persian Gulf would have oil reserves whereas many geological consultants at the time believed that the Arabian Peninsula was entirely barren of any noteworthy natural resources such as oil. Political instability in some of the Arab countries such as Yemen and Oman additionally hindered any serious exploration efforts by foreign investors. Nonetheless, King Abdulaziz followed the vision of oil in Arabia by enlisting the support of

mining engineer Major Frank Holmes, whose premonition of discovering Arabian oil was ahead of his peers. Concessions were signed in 1923 by the King to Holmes for the exploration of petroleum in Eastern Saudi Arabia but significant foreign investments were absent given that major banks were apprehensive at the proposal for funding a project searching for oil in Arabian territories. In 1925 Holmes strategized to receive a concession from the sheikh of Bahrain and to receive funding for a project on a smaller geographic scale with potentially larger economic returns. While initially recruiting Gulf Oil in 1927 to support the project, the Red Line Agreement between Gulf Oil and other regional companies such as Royal Dutch Shell and APOC prevented the project from being developed by Gulf Oil. Instead, Standard Oil of California (SOCAL) was transferred with the promising deal. Meanwhile, King Abdulaziz had employed mining engineer Karl Twitchell to investigate the eastern province of Saudi Arabia, which followed encouraging results as to the presence of petroleum in the area. Seeps were found in eastern Saudi Arabia and the king was advised to hold off on granting concessions before the results of the Bahraini project were released. The advice was wisely heeded as in 1932 SOCAL struck oil in Bahrain, which invigorated international interests to the prospects of Arabian oil. The next year negotiations for concessions for the Eastern Province were opened with SOCAL as the final victor, which granted exploration rights for 60 years in a space of 930,000 square km. A subsidiary by the name of California Arabian Standard Oil Company (CASOC) was created and joined with a regional heavyweight developer, the Texas Company, to form the California Texas Oil Company (CALTEX) in 1936. The tactical venture proved capable with the discovery of crude oil in the renowned Dammam Number 7 well, which at the time truly was a finding in itself and was revealed to be one of the largest sources of crude oil in the world. In 1944 CASOC changed its name to Arabian American Oil Company (ARAMCO) and numerous revisions were made to the original concession. One of the first changes would be that the operational exploration rights were granted to a greater area and extended for an additional six years to 1999; in return, ARAMCO would provide free amounts of petroleum products. In 1950 a new deal was signed by ARAMCO and the King, which entitled a 50-50 profit-sharing agreement to the parties. Throughout the decades subsequent revisions were made to the PSA that not only reduced the operational concession area of ARAMCO, with a reduction to 220,000 square km from the original 930,000 square km, but eventually led to the entire purchase of

ARAMCO by Saudi Arabia in 1988. The company was renamed Saudi Aramco but still relies on foreign investments in order to upkeep operational activities.

But where is the role and influence of resource nationalism? Indeed while there has been a revision of petroleum history in the state of Saudi Arabia the presence of resource nationalism is seemingly lacking. However, upon closer observation and taking into account temporal cultural practices in addition to political structure the presence of resource nationalism very much visible. The first observation to establish would be that the Arabian Peninsula prior to the establishment of Saudi Arabia in 1932 largely existed in divided territories. The Al Saud tribe twice tried to establish a unified state in the Arabian Peninsula, once in 1744 with the dissolution of the first Saudi state<sup>91</sup> in 1818 resulting from the Ottoman-Saudi War (Steinberg in Aarts, P. and Nonneman, G., eds. 2005: 15) and another from 1818 to 1891<sup>92</sup> (Ibid). Of course, it should be noted that from the perspective of the Ottoman Empire, the Arabian Peninsula was a part of its territorial sovereignty and rule save for a select number of territories that were recognized with separate autonomous dominions (Ibid). Therefore, the Saudi states prior to the loss of the territories in World War I were regarded as rebellions rather than formal political states. Nonetheless, from 1901 the Al Saud once again projected its power to conquer other neighbouring emirates and kingdoms (Ibid). Following the completion of the conquest, the entire state was titled with the name of the Al Saud family. Regional and cultural practices of the time indicate that whatever was conquered by another would become the property of the victor, as evidenced by Arabian victories against the Ottoman armies with British support. Following this approach, the territories conquered by the Al Saud were therefore property of the family. The addition of the family name to the title of the country is sheer transparency of its perceived ownership and dominance over the terrain. The monarchical structure further sealed and focused power to the family along with the submission of the various independent principalities that were co-opted. By extension, all materials that were under Saudi Arabia were property of the King, such as the natural resources inclusive of water and later petroleum following its discovery. The King after all was the figure that not only hired engineers and geologists to survey the landscape of the country but also did so for the purposes of generating personal revenue considering that the land was in his view personal property. The permissions were not the only allowances made

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<sup>91</sup> Also known as the Emirate of Diriyah.

<sup>92</sup> This period is referred to as the second Saudi state of the Emirate of Najd.

personally by the King; the concessions for oil were as well. In terms of resource nationalism the state interpretation of Saudi Arabia would entail that the King would be the living embodiment of the nation and sometimes the state given the role and functions exercised by him.

The foundations of Saudi Arabia were termed and influenced greatly by the Al Saud family. Even conceptual features and factors of ethnicity such as religion were subjected to the Wahhabi interpretation sponsored by the Al Saud tribe for generations (Ibid: 12 – 20). The idea of the nation in Saudi Arabia was additionally cultivated under Al Saud leadership, with a nationalistic sentiment originating from the charismatic authority of Abdulaziz Al Saud. With regards to more tangible indicators of resource nationalism in Saudi Arabia would be the presence of a NOC. Similar to the Iranian case in which AIOC was transferred to the central government via political mechanisms, ARAMCO was eventually transferred to the central government of Saudi Arabia via economic mechanisms<sup>93</sup>. The outright purchasing of shares in the company enabled the country to assert more authority over its natural resources. The dimension of kingship in Saudi Arabian resource nationalism again does hold a role in the nationalizing process of ARAMCO since business deals and negotiations were conducted at various stages with the King as an omnipresent factor. When his attendance was absent, representatives were sent in place of the King to represent his interests as well as those of the country. After all, the petroleum wealth that was directed to the King was also being distributed at some point to the rest of the country and its inhabitants.

Granted, the interpretation presented of Saudi Arabian resource nationalism is a streamlined view of the model given that it has become more complex with the progression of time since the founding of the country, but the elemental interpretation has been provided and does owe a great deal of its evolution to the earliest stages of interactions between the King and foreign investors and the subsequent oil concessions. The path of resource nationalism in Saudi Arabia is vastly different from that of Iran given the tumultuous political affairs and processes that were experienced in order for the Iranians to gain authority over their petroleum and other natural resources. Certainly, the lack of parliamentary procedures and constant shifting of governments contributed to a more stable and straightforward environment for Saudi Arabia to develop its resource nationalism. However, the more direct track experienced by Saudi Arabia

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<sup>93</sup> The difference in transference can be attributed to the difference in political identities in that Iran had been politically existent before and much longer than that of Saudi Arabia.



can be contributed to not only the assistive foreign investors that were interested in developing the area with mutually beneficial deals favouring the host country but also the existing petroleum infrastructure that was already in place in Iran since oil was discovered in Saudi Arabia after other territories such as Bahrain, Iran, and Iraq; there was more business competition in the developed areas rather than the prospects of an open area desert. The closest form of resource nationalism in Saudi Arabia would be state dominion as was evidenced by the PSAs between the ARAMCO NOC and the country. There is no set state policy explicitly implementing the framework but there is undoubtedly a practice. Indeed, resource nationalism can be intimately tied with the history of interaction between host and natural resources located within a geographic boundary, which is particularly evident with petroleum history in Saudi Arabia.

### *United Arab Emirates:*

Resource nationalism in the UAE is more complex than that of Iran and Saudi Arabia partially due to the fact that the state is multidimensional being comprised of seven emirates. The path to resource nationalism in the UAE is also different than both that of Iran and Saudi Arabia. The UAE was not a territory that was conquered by a single family or tribe and did not operate under a unified banner until 1972 with the inclusion of Ras al Khaimah into the federation. The unification process was moreover diplomatic and conducted via contractual agreement for each acquiescing emirate to adhere to the UAE Constitution. There is no singular sheikh in the UAE that holds absolute power in the country like in a monarchical system similar to neighbouring Saudi Arabia. Rather, there are many sheikhs and the head sheikh of each emirate wields absolute authority in their respective emirate and should not interfere in the affairs of any other emirate according to the agreement between the rulers of each of the seven principalities. Therefore, the embodiment of the state and/or nation in a singular absolute ruler such as in Saudi Arabia would not be applicable to the UAE given its more convoluted political structure.

Before the political sophistications and complexities were arranged in the formation of the UAE, the sheikhdom of Abu Dhabi under the Trucial States of the Coast of Oman experienced a discovery that would alter the economy of not only its own emirate but also the future federation that it would be capital to. In 1935 Sheikh Shakhbut bin Sultan Al Nahyan of Abu Dhabi was met by APOC geologist Peter Cox to discuss the projections of freshwater

exploration projects in the emirate (Morton 2011: 53)<sup>94</sup>. The drilling for water in nearby Bahrain by Major Frank Holmes inspired the sheikh to follow similar projects in his own emirate (Ibid). However, despite the water project request made to the IPC, a subsidiary of APOC, the interests expressed were more in favour of oil and discussions of oil concessions ensued (Ibid). Sheikh Shakhbut was aware of the increasing regional activities with regards to the petroleum sector and was keen to not be isolated from the lucrative and beneficial deals that were being conducted throughout the Persian Gulf. Shortly after the meeting with Cox, William Williamson on behalf of the IPC obtained a two year concession for Abu Dhabi in 1936 at the cost of 7,000 rupees with 3,000 rupee a month<sup>95</sup> follow-ups; the rupee was the *de facto* currency of the Trucial States of the Coast of Oman at the time (Ibid). IPC created the subsidiary Petroleum Development Trucial Coast (PDTC) to conduct exploration activities in Abu Dhabi (Ibid). By 1939 PDTC had signed a subsequent 75-year oil concession agreement with Sheikh Shakhbut and exploration rights covered the entire borders of the emirate on the Arabian Peninsula in addition to part of the offshore boundaries<sup>96</sup>. With the advent of World War II and the devastating toll taken on the foreign investors, there was a period of stagnation and explorations efforts were temporarily suspended (Morton 2011: 53). From 1946 though exploration efforts resumed and continued deeper into Abu Dhabi territory until 1950 when geographic hindrances of sand dunes affected the ability to conduct further research and was damaging transportation equipment (Ibid). In 1953 transportation had improved, helicopters were added to the exploration fleet, and tire technology aided in the ability to cover the previously unfavourable terrain (Ibid). PDTC continued to penetrate western Abu Dhabi but shifted its efforts once a boundary dispute with Saudi Arabia, down as the Buraimi Dispute, broke out and closed certain areas of the emirate to exploration (Ibid: 54). During this time, the Abu Dhabi Marine Areas Limited (ADMA) that was a jointly owned company between BP and Compagnie Française des Pétroles, which was the precursor to Total, obtained an offshore concession (Ibid). Offshore seismic surveys and explorations revealed bountiful reserves and drilling began in the Umm Shaif field (Ibid). PDTC also made its own discoveries in 1959 with the Murban-3 oil field (Ibid). Discoveries proliferated into the 1960s with the Bu Hasa and Zakum oil fields (Ibid: 56). PDTC in this time

<sup>94</sup> Also found online: <http://www.geoexpro.com/articles/2011/03/the-abu-dhabi-oil-discoveries> (Last Retrieved: March 25, 2014).

<sup>95</sup> Approximately £27,000 GBP and £12,000 GBP at 2011 values.

<sup>96</sup> [http://www.exxonmobil.com/UAE-English/PA/about\\_who\\_history.aspx](http://www.exxonmobil.com/UAE-English/PA/about_who_history.aspx) (Last Retrieved: March 25, 2014).

relinquished much of the Trucial Coast exploration areas but did retain Abu Dhabi and changed its name to the Abu Dhabi Petroleum Company (ADPC) (Ibid). The new company signed a 50-50% oil-sharing agreement with Sheikh Shakhbut in 1965; ADMA signed an identical contract with the sheikh in 1966 (Ibid). In the same year, Sheikh Zayed assumed power of the emirate and in 1971 became president of the UAE and the Abu Dhabi National Oil Company (ADNOC)<sup>97</sup> was created (Ibid). In 1974 ADNOC acquired a 60% stake in ADPC and ADMA, which were both reconceived as the Abu Dhabi Company for Onshore Oil Operation and the Abu Dhabi Marine Operating Company, respectively.

In addressing the existence of resource nationalism in the UAE, some additional factors must be accounted in viewing the evolution and history of the framework. During the era of the Trucial Coast, the PDTC acted as a singular NOC for all emirates since it carried out explorations and were granted rights for the entire length of the Trucial Coast. Although the PDTC did retreat back to Abu Dhabi prior for the formation of the UAE, it did span a greater area than the ADNOC and in many respects was its spiritual predecessor. But this should not take away from the importance of the ADNOC in the scope of resource nationalism since other emirates did produce other NOCs, such as ENOC from Dubai, and simply because NOCs are not unified across a country that does not signify resource nationalism did not exist even prior to the formation of the federation. The UAE is a successor state to the collective political entity of the Trucial Coast, which means that there was a new point in which to observe resource nationalism. The UAE was formed in 1971 and solidified in 1972 with seven emirates. Therefore, for resource nationalism to exist in the UAE at the inception of the state, it would need to be present from 1971 onwards, which it was evidenced through the presence of the ADNOC. However, each emirate is able to assert control over its own natural resources, meaning that ADNOC was not technically a NOC that was for the benefit of the entire country, although it did traditionally provide funds to other emirates for the betterment of the federation. In technical terms, the ADNOC was for the management and dealings of the Abu Dhabi emirate only, which meant that although it was a NOC it was not necessarily for the benefit of anybody outside the emirate of Abu Dhabi. This can be clearly seen in the explicit state policy of resource nationalism visible in the UAE Constitution, which unlike Iran was very quickly and peaceably incorporated into a constitution without significant controversy or happenings. Article 23 states, “The natural

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<sup>97</sup> <http://www.adnoc.ae/content.aspx?mid=22> (Last Retrieved: March 25, 2014).

resources and wealth in each Emirate shall be considered to be the public property of that Emirate. Society shall be responsible for the protection and proper exploitation of such natural resources and wealth for the benefit of the national economy,” (See Appendix C) which also implies that the sheikhs are not the owners of the natural resources or wealth generated from the sales of them and that resource nationalization on the national level and resource nationalism on the state level is inherent to the Emirates constitutionally. Article 10 states, “The aims of the Union shall be the maintenance of its independence and sovereignty. The safeguard of its security and stability. The defence against any aggression upon its existence or the existence of its member states. The protection of the rights and liabilities of the people of the Union. The achievement of close co-operation between the Emirates for their common benefit in realizing these aims and in promoting their prosperity and progress in all fields. The provision of a better life for all citizens together with respect by each Emirate for the independence and sovereignty of the other Emirates in their internal affairs within the framework of this Constitution,” (See Appendix C). This means that other emirates cannot interfere with the natural resource affairs of any other emirate

Regardless, disunity of NOCs existing in the country is complimentary to the political structure of the federation. With a constitutional description of natural resources being the public property of a specific emirate and that the respective society is responsible for the security as well as exploitations of natural resources and revenue(s) generated from sales of such materials, there is an unwavering article that guarantees the existence as well as theoretical state interpretation of resource nationalism. In these regards, the closest form of resource nationalism form would be the state domination form in which populist and geopolitical agendas threaten investors with expropriation in favour of national or oligarchic companies (Nurmakov in Overland *et al.* 2010: 20 – 21) and is evidenced with the presence of NOCs such as ADNOC and ENOC. State domination though would need to be understood in terms of the Emirati context in which there are seven different entities forming a federation; meaning that emirate domination would be a more appropriate terminology for understanding the form. According to the constitution, there could be balanced state participation from the public reserving the right to increase state/emirate ownership in projects. This could indeed come in the form of politically articulated desires to capture greater benefits from resources may jeopardize contracts (Ibid). Lastly, should the public also desire to shift towards a greater economic participation form, in

which domestic policy agendas could lead to increased tax rates to put pressure on operating profits (Ibid), the constitution provides the rights to the public to do so. But at present, the state domination form does apply more so than the others and similar to Saudi Arabia each of the head sheikhs from the seven emirates can be viewed as the living embodiment of the respective emirate. In this vein, it should also be noted that Abu Dhabi is the dominant emirate and therefore its sheikh is the foremost of all sheikhs, which means that should there be a singular figure needed to personify the UAE it would be the primary sheikh of Abu Dhabi. The nationalizing process of natural resources in the UAE occurred instantaneously with the signing of the constitution inclusive of Article 23, which greatly differs than the paths taken by Iran and Saudi Arabia. Indeed, it is a more complex interpretation of the framework given that Article 10 guarantees that there can simultaneously be seven different resource nationalisms under a single union. But this is moreover exemplary of the framework being central to the addressing of natural resources in the UAE. In a rudimentary philosophical logic format for determining the presence of resource nationalism in the federation, it can be firstly established that if there is a UAE then there is a constitution. Then, if there is a constitution then there is a set policy of resource nationalism. Therefore, if UAE then resource nationalism.

### ***Theory versus Reality:***

Thus far, an overview of the case studies interpretations and basic understanding of resource nationalism have been covered. However, the state models illustrating the conceptual influence of resource nationalism have been explained in a functionally ideal setting and theoretical scenario and already there are leads to discrepancies. Essentially, the state interpretations are simplified descriptions of the functional reality of utilizing resource nationalism, which is inclusive of veritable flaws such as the creation of institutionalized deficiencies. Hence, in order to comprehend resource nationalism in the case studies further to their entirety, it is necessary to delve deeper into the framework with realistic usage and factors at play.

The concepts reviewed in the previous chapter grant insight to potential areas that can cause serious impairments to the ideal treatment of resource nationalism. After all, the concepts of the state, nation, nationalism, and ethnicity are integral components to the framework that can influence its outcome. For example, the notion of ethnicity could be polarized on to such an

extent that a presence ethnic tensions could exist or develop. Indeed, when viewing this on the scale of resource nationalism, it would demonstrate noticeable disproportion. Historically, such tensions have demonstrated the capability of fragmenting a country. Indeed, ethnic tensions exist across all states of the Persian Gulf and the case studies are no exception. Ethnicity undoubtedly shares ties to nations and nationalism as well as the state, which consequently illustrates the necessity to examine the concept in the case studies given its vital role in resource nationalism. Similarly, polarizations could occur with the other conceptual components of resource nationalism; namely, the state, nations, and nationalism. Hence, the realities of implementing a theoretical framework can be drastically different than its philosophical setting. Therefore, manifestations of resource nationalism in the case studies must be reviewed in order to fully and responsibly address the framework.

### ***Manifestations of Resource Nationalism:***

When investigating the manifestations of the theoretical framework there are recurring themes that act as stress points and can bilaterally influence the components of resource nationalism. One theme to express, which is the keystone of the framework, would be the issue of ownership. There are different types of ownership, for example one may not technically own property because taxes must be paid otherwise it will be seized. One could own a pen, but only if it is paid in full and there are no other continued fees that can be attached onto the object. Therefore, there is no legitimate authority that will be able to rightfully take the pen away based off of tax claims or similar. One can own a car after all the payments have been cleared but it cannot be legally driven in some countries without the proper taxes or insurances, which means that while one can own the car there is no permission given to drive it legally. With resource nationalism the aspect of ownership is more along the lines of to whom or what receives the funds generated from natural resources. If the state is the benefactor, that is an abstract and intangible concept. Yet, should the state from a resource nationalism interpretation be absolutely or partially represented through personification then in reality the funds would be going towards a person and/or set of individuals that have complete control over the monies. This can effectively call in to question the acceptability of the resource nationalism interpretation based on its definitions of state ownership, claim, and belonging.

Concerning ownership and belonging, questions arise as to who or what the natural resources belong to. For example, do the natural resources of oil and gas belong to the fisherman whose fishing grounds the petroleum falls under or would it be the government? According to the rule of capture, should an individual own the surface of the land then everything that falls under it is their property as well. Of course, oil and gas ownership according to rule of capture have become more sophisticated since the inception of the rule but it does present a valid question. In a federalist model, questions arise as to which ownership rights are more legitimate. In basic terminology would it be the state or the province that receives a greater claim to the natural resources?

Once oil and gas is discovered and a significant investment has already been made with regards to the sector, then the relative bargaining power switches between the IOC and the host country. Typically, the host country tries to change the economic outcomes of operations by changing the terms of the original contract or agreement, such as a PSA, in order to seek higher gain from natural resource revenue. Hence, after there has been immense capital invested in the sector, there is seemingly not much an IOC can do should a host country decide to change the terms. Indeed, issues of ownership can lead to tensions as well as conflict and is dependent on the manifestation of resource nationalism. Violent conflict will not be reviewed in this subsection as it will be addressed later on in the subsequent chapter.

### *Iran:*

The vivification of the theoretical framework in Iran was initiated by Mossadegh in 1951 and can be seen as an expression of political antipathy towards foreign powers. While this move was argued to have been socialistic in nature and an inclination towards the Soviet Union, this is certainly an unsophisticated view on the matter. It can be successfully argued that nationalization and resource nationalism was a democratizing move since it involved not only a parliamentary procedure with popular vote but also was collective in its development, which is a pattern that is repeated with democracies. Once materials are nationalized as well, there is unquestionably a communal manner of thinking in what to do best with the natural resource wealth that is to be generated from sales, which can be achieved through popular acquiescence. Meaning, even if the Iranian public did not identify with democratic structure consciously, there is an unconscious reality that is present.

Political structure and democratic arguments aside, resource nationalism has been explicitly included in the subsequent constitution of the Islamic Republic, which means that the framework is an inherent right. The consequential presence of a NOC such as the NIOC is an indicator of the manifestation of resource nationalism. However, Article 45 did not directly reference petroleum and even a tangential association of *anfāl* is unreasonable considering that the majority of revenue for Iran has come from the sales of oil and gas for over half a century (See Appendix A). It could be argued through *anfāl* that petroleum is included as a natural resource with this article and with the structure of the Islamic Republic having theocratic roots that is acceptable. The grouping with mineral deposits is also insecure since petroleum can be argued out of category. Article 81 though expressly forbids any form of concession granting to any non-Iranian entity and that no company or institution can be formed for the purpose of “dealing with commerce, industry, agriculture, services, or mineral extraction,” (See Appendix A). From this article, petroleum and its associated services were assumed to have been unequivocally referenced along other natural resources such as gold. However, despite there being resource nationalization in the constitution, the outcome of resource nationalism has deviated from the framework ideals.

One constant dilemma that has stricken Iran with its petroleum industry would be corruption and subsequent institutionalized deficiencies. A striking example would be with an international bribery case involving the Norwegian Statoil and Mehdi Hashemi Rafsanjani<sup>98</sup>. A significant relationship of the latter figure would be that he is the son of Akbar Hashemi Rafsanjani, who was the fourth President of Iran, former member of the Assembly of Experts, and the chairman of the Expediency Discernment Council. It was also under Akbar Hashemi Rafsanjani that the Supreme Leader Ali Khamenei was ushered into power. The bribery allegations asserted that Statoil received advice from Mehdi Rafsanjani some time between 2001 and 2002, who at the time was the head of a NIOC unit, on gaining a successful contract to the South Pars gas field<sup>99</sup>. Mehdi Rafsanjani jointly operated with the Turks and Caicos-based Horton Investment, which was owned by Abbas Yazdi, and upon consulting Statoil received large payments that were directed to the accounts in the Caribbean Sea (Ibid). The recorded

<sup>98</sup> <http://star.worldbank.org/corruption-cases/node/18720> (Last Retrieved: April 2, 2011).

<sup>99</sup> Nooryani, B. (2006). “Statoil Admits Iran Bribe; US Sets \$21 Million Fine (Update2)” in *Bloomberg*. Available online: <http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aUJzllXYNSmw> (Last Retrieved: October 16, 2010).



transactions amounted to \$15.2 million USD and occurred between 2002 and 2003 in an effort for Mehdi Rafsanjani to utilize his influence to obtain awards to Statoil for the development of the 6, 7, and 8 phases of the South Pars gas field<sup>100</sup>. While Statoil confesses that it did not know who ultimately received the funds, it did admit bribery and improper conduct that included account books manipulation<sup>101</sup>. A subsequent lawsuit was filed against Statoil and a record fine of \$21 million USD was placed on the organisation for violations of the Foreign Corrupt Practices Act, which is a law that is designed to prevent companies from paying bribes in an attempt to gain contracts (Ibid). Resignation of the Statoil chief executive officer (CEO) as well as several top officials followed but there was an apparent lack of action against the Iranian citizens involved in the case as there have been no admissions as to any verdict regarding the case against Mehdi Rafsanjani. In the Statoil corruption case, there has unequivocally been a direct violation against Article 81. In addition, Article 45 has also been violated in that there is effective privatization that has occurred in the Iranian petroleum industry. With consultancies and other subsidiaries of NIOC operating outside the scope of a nationalized company, effective privatization has visibly formed and siphoned away funds that were constitutionally ensured to be owned by the state and public.

An additional example of privatization through subsidiaries would be with the National Iranian Tanker Company (NITC), which operates the largest tanker fleet in the Middle East<sup>102</sup>. In 2000 the Iranian government transferred the NITC from NIOC to a number of Iranian pension funds<sup>103</sup>. This move signified that a major component to the operation of a NOC was being privately managed, at least to a degree<sup>104</sup>. Another subsidiary of NIOC would be Naftiran

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<sup>100</sup> <http://star.worldbank.org/corruption-cases/node/18720> (Last Retrieved: April 2, 2011).

<sup>101</sup> Nooryani, B. (2006). "Statoil Admits Iran Bribe; US Sets \$21 Million Fine (Update2)" in *Bloomberg*. Available online: <http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aUJzllXYNSmw> (Last Retrieved: October 16, 2010).

<sup>102</sup> <http://www.nioc.ir/Portal/Home/ShowPage.aspx?Object=WEBSITE&ID=e03dffb-7e18-4d16-a3a7-78fc681f15bd&LayoutID=5a194319-5aa7-43d2-8e04-a9ea74cda7ad&CategoryID=f398bd54-e170-44e9-a841-710c6c92b3a0> (Last Retrieved: August 3, 2013).

<sup>103</sup> Rosett, C. (2012). "Before We Thank Iran's Tanker Fleet..." in *Forbes*. Available online: <http://www.forbes.com/sites/claudiarosett/2012/01/31/before-we-thank-irans-tanker-fleet/> (Last Retrieved: June 18, 2012).

<sup>104</sup> Saul, J. (2012). "Iran Tanker Group Boss Steps Down, Replaced" in *Reuters*. Available online: <http://www.reuters.com/article/2012/01/31/us-iran-nitc-chairman-idUSTRE80U1QM20120131> (Last Retrieved: June 18, 2012).

Intertrade Company (NICO), which was established in 1991 in the Jersey Channel Islands<sup>105</sup> before moving its headquarters to Lausanne, Switzerland<sup>106</sup>. The company is significant because it has extensive ties to the international markets, with companies such as Petro Suisse Intertrade Company in Saudi Arabia, Noor Energy in Malaysia, and Petro Energy Intertrade in the UAE<sup>107</sup>. Also, the Iranian Oil Company, which is a subsidiary of NICO, owns half of the Rhum gas field in the North Sea, which is of substantial wealth<sup>108</sup>. The privatized operations of NICO that act as an international presence for NIOC when sanctioned create a publically visible and operated violation of the Iranian constitution given that the petroleum funds are not directed towards the central government. Nonetheless, despite there being explicit violations of the constitution and there being limited theoretical avenues in which even a minor privatization can occur, the practice does persist. In 2013, it was revealed that Babak Zanjani and his group of companies, including the notable Dubai-based Sorinet, was withholding at least \$1.9 billion USD of petroleum revenue from Iran<sup>109</sup>. How state petroleum funds came into the possession of a single person is problematic enough for Iran to explain, but it has been claimed that Zanjani acted as an international figure that was helping the country evade sanctions (Ibid). This is not the first case though in which Iranian petroleum funds have gone missing. In 2009 it was publically exposed that there were at least \$1 billion USD missing from petroleum revenue<sup>110</sup>. President Ahmadinejad at the time stated that his government was not at fault and did not fail to meet obligations or procedure regarding petroleum funds and stated, “No one in the country has the right to illegally spend even one dollar from the reserve... All government spending should be approved by [the] Parliament. We cannot withdraw from the reserves whenever we want,”<sup>111</sup> which does implicitly reference the constitution but also does acknowledge that there have been

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<sup>105</sup> Farge, E., Vellacott, C. and Grey, S. (2012). “Special Report – For Iran Oil Trader, Western Ties Run Deep” in *Reuters*. Available online: <http://uk.reuters.com/article/2012/02/16/uk-iran-havens-idUKTRE81F0XJ20120216> (Last Retrieved: May 1, 2013).

<sup>106</sup> <http://naftiran.com/about.aspx> (Last Retrieved: May 1, 2013).

<sup>107</sup> (No Author Indicated). (2012). “US Tightens Sanctions Over Iran Nuclear Program” in *BBC*. Available online: <http://www.bbc.co.uk/news/world-middle-east-18822957> (Last Retrieved: May 1, 2013).

<sup>108</sup> Calabresi, M. (2010). “Sleeping with the Enemy: BPs Deals with Iran” in *Time*. Available online: <http://content.time.com/time/nation/article/0,8599,1996921,00.html> (Last Retrieved: May 1, 2013).

<sup>109</sup> (No Author Indicated). “Iranian Billionaire Babak Zanjani Arrested” in *BBC*. Available online: <http://www.bbc.co.uk/news/world-middle-east-25551849> (Last Retrieved: December 30, 2013).

<sup>110</sup> (No Author Indicated). (2009). “Iran Looks Into \$1B Missing Oil Money” in *PressTV*. Available online: <http://edition.presstv.ir/detail/84719.html> (Last Retrieved: February 5, 2009).

<sup>111</sup> (No Author Indicated). (2009). “Iran Examines Missing Oil Revenue” in *UPI*. Available online: [http://www.upi.com/Business\\_News/Energy-Resources/2009/02/16/Iran-examines-missing-oil-revenue/UPI-25891234800966/#ixzz3FiPLsWCi](http://www.upi.com/Business_News/Energy-Resources/2009/02/16/Iran-examines-missing-oil-revenue/UPI-25891234800966/#ixzz3FiPLsWCi) (Last Retrieved: June 6, 2013).

instances in which the articles are not adhered to. Iranian lawmakers also did previously discover that the government was making purchases without consent of the Parliament, which is against protocol (Ibid).

The existence of such effective privatizations defeats the entire purpose of forming a NOC. When national companies are illegally bypassed for the sake of personalized gain and coupled with the direct contradictions as well as violations of the constitution in addition to rampant venality existent throughout the political structure, this can only be described as corruption. The effects of which, paired with institutionalized deficiencies such as poor management, sabotage the manifestation of resource nationalism away from its ideals. Indeed, ownership issues are brought into question when this happens, which has led to tensions in the country. If nationalized materials are being sold with revenue directed to select individuals rather than the central government and public as defined by the constitution then obviously there will be a rise in negative sentiments. The point of nationalizing natural resources and developing a NOC was to reduce foreign influence in the country, access greater benefits to its properties, and provide more to the state for the population. Yet utilizing the NIOC or complete circumvention has occurred and thusly state ownership of natural resources has been cast into doubt. In a resource nationalism framework this subsequently affects other components and has created major security concerns for Iran.

While the theme of security will be investigated in greater detail in the subsequent chapter, it should be observed at this time that the notion of ethnicity is severely affected by the framework manifestation. Indeed, nations and nationalism have likewise been influenced but Iran is a multinational country whose citizens identify with cosmopolitanism and do not stress on one particular nation being superior to another. It is quite an integrated society in this respect and there is a clear identity of what constitutes an Iranian, which is a liberal understanding that incorporates many different groups and beliefs. But, given the theocratic elements that have existed in society, the ethnic feature of religion has been more focused on than background. Shias, commanding the largest following and dominant in the political system, are preferred over other religious interpretations such as Zoroastrianism, Christianity, Judaism, and the Baha'i Faith. The second largest religious interpretation of Iran would be Sunnism. In Larestan, the majority of the inhabitants are Sunni (Frye 1987: 27). The people of this province are of the south-western Iranian group and speak the Lari language rather than Persian (Ibid: 27 – 29). Lari

is closely related to Old Persian and Luri, which is another Iranian group that speaks an independent Iranian language related to Middle Persian (Ibid). Resource nationalism can be credited to a degree for affecting such communities with a perceived imbalanced receiving of petroleum wealth and state funds that keeps the area in destitution. Many have left Iran for the GCC and settled in every country that is member to the organisation. Some areas affected in a similar fashion to those of Larestan would be villages including Bastak, Evaz, and Khunj in the Hormozgan and Pars provinces. It is crucial to observe though that there are some Shia areas that receive as little or less windfall than some Sunni areas and since the state publically acknowledges Shi'ism as its religious preference, with theocratic elements visible in the public sphere, strains are present on some level and a sentiment of discrimination has been cultivated in tandem. The framework has only flared such tensions since nationalized state wealth was not perceivably distributed productively to the Sunni-inhabited region(s). As a result of the migrations to the Arabian Peninsula and a harboured sense of discrimination, interstate tensions between Iran and the countries of the GCC have worsened. Other instances of tensions that are more closely tied with nations and nationalism that have also been aggravated to the point of conflict will be covered in the next chapter with regards to energy security. Nonetheless, ethnic tensions are a core outcome of the framework manifestation.

Ultimately, in Iran the manifestation of resource nationalism is present but it is not consistent with the state ideals and interpretation of the framework. Ownership of oil and gas has essentially gone to individuals either through technicalities of effective privatization, corruption, or institutionalized deficiencies. It has thusly devolved to express and exhibit the dilemmas and strains that are currently existent in the country. Tensions resulting from the manifestation are closely tied to ethnicity and with a specific stress placed on religion. Critics may argue that resource nationalism does not exist since the manifestation is too deviant from the interpretation. However, it is in fact because of such a deviation that it can be asserted that resource nationalism is very much present. While the manifestation may not be representative of the interpretation, it has simply been manifested negatively.

### *Saudi Arabia:*

The manifestation of resource nationalism in Saudi Arabia is drastically different than that of Iran partly due to its political structure but also because the components of the framework

are valued and viewed differently in the kingdom. The lack of a constitution and poor legal system are additional drawbacks that have affected the outcome of the framework. Given the absence of articles setting resource nationalism as state policy, the kingdom is more reliant on *de facto* capabilities and traditions inherited from the establishment of the kingdom. It is a fact that King Abdulaziz Al Saud granted exploration rights and concessions to foreign entities that eventually led to the establishment of ARAMCO. The PSA initially detailed that there would be a 50-50% divide of the profits between ARAMCO and King Abdulaziz. Once he passed away however, the deal was in reality inherited by his successor, which was in accordance with the rules of monarchy and on grounds that ARAMCO was inheritable property for the family of King Abdulaziz. Of course, the company was not entirely directing its profits to a single person, but it certainly was directing its revenue to the Al Sauds and their associates.

The Basic Law of Saudi Arabia (See Appendix B), which was drafted in 1992 in place of a constitution, has several articles that confirm through a convoluted evaluation that the practice is in some manner legitimate. It also reveals the means to which resource nationalism has manifested itself and acts more as a confirmation of practice since the Basic Law was adopted during the reign of King Fahd bin Abdulaziz Al Saud, who came much after King Abdulaziz. According to Article 5 the political structure is declared to be a monarchy from one of the four sons of King Abdulaziz and their descendants (See Appendix B). Religious authority and an implicated divine sanction for the king maintaining his position of power as well as governmental authority is referenced in Articles 6 and 7 (See Appendix B). But the referencing of a point in which ARAMCO can be inherited is seemingly absent, that is, until Article 14 details that, “All natural resources that God has deposited underground, above ground, in territorial waters or within the land and sea domains under the authority of the State, together with revenues of these resources, shall be the property of the State, as provided by the Law. The Law shall specify means for exploitation, protection and development of these resources in the best interest of the State, and its security and economy,” (See Appendix B). The subsequent Article 15 states, “No concessions or licenses to exploit any public resources of the country shall be granted unless authorized by provisions of the Law,” while Article 18 states, “The State shall guarantee private ownership and its sanctity. No-one shall be deprived of his private property, unless in service of the public interest. In this case, a fair compensation shall be given to him,” (See Appendix B). With reference to the first premise of natural resources, the legal system of

Saudi Arabia is based on the Quran, Sharia, and Sunnah; all of which are subject to a variety of interpretations. In the legal system, according to Article 50, “The King or whomsoever he may deputize shall concern himself with the implementation of judicial rulings,” which are indeed venerable powers to possess (See Appendix B). With regards to the second premise of Article 15, concessions and licenses were already granted before the Basic Law was set forth but can also be manipulated in such a way that the provisions of the law would eventually reconfirm the authority of the King. The premise of Article 18 has difficulties in that there could be technicalities in what defines private property in the dominion of an absolute monarchy, what would be defined as the public interest and how this would be determined, in addition to the notion of a fair compensation and what this would entail as well as which authority would be determining such a reparation. Also, private property in this sense could be argued to be the petroleum fields for the Al Saud family, but this would contradict Article 14, unless the notion of the state can be defined as the King with the state being understood as having authority and the King having powers of authority. Critics could argue that the King would be exercising powers of the state rather than being the incarnation of such a notion. However, a single individual exercising powers of the state is representative of possessing a trait of statehood only if the king can utilize power legitimately; it is an absolute monarchy after all that has a single person at the apex of the political structure. Indeed, evaluation of the articles leads to hints of tangible ownership of natural resources, but without directly referencing the King. Yet, the King being the highest authority in the country could in theory and does in practice influence the outcome of the natural resource wealth. This can of course be asserted on the grounds of not only divine powers of authority attributed to him by the Basic Law but also that it is in the interests of the state. Moreover, should there be any opposition to the King or any of his actions then there will be an exercising of *de facto* capabilities. Articles 60 and 61 for example state that the King is the Supreme Commander of the Armed Forces and can mobilize the military for action (See Appendix B). Hence, the conclusion would be ultimately that the King is the embodiment of the state in that it is an absolute monarchy in which the highest figure can act with the utmost authority and without question. There is divine sanctioning for his position and all behaviours conducted would be excusable by religious and legal interpretations. Furthermore, unilateral military action can be exerted on behalf of the King to his discretion.

When King Abdulaziz conquered the territories that eventually formed the country, the idea of nation was crafted by the Al Saud for national membership that was emphasizing tribalism and tribal notes that would benefit the Al Saud more than others. Not every individual in the newly formed Saudi Arabia was enthusiastic of the forcible nature of the tribe though. Indeed, even at present there is public sentiment in the province of Hijaz that there was a degree of non-integration to national membership in the sense that the cultural differences from Riyadh are not necessarily accepted. Indeed, the initial overbearing presence of the Al Saud with the violent takeover of the Kingdom of Hijaz may have influence in this mentality. The traditional economic generators of Mecca and Medina from religious pilgrimages directed much of their revenue to King Abdulaziz. Nationalism in Saudi Arabia consequently took a longer and more astringent path. After all, when identifying with Saudi Arabian nationalism there must at least by definition is passive support for the Al Saud. Ethnicity also suffered as a result of national membership forged by the Al Saud, specifically, the Shia of the Eastern Province felt incredible discrimination. One of the reasons of course would be religious differences, with the Shia holy city of Karbala being sacked by the Wahhabis in 1801 (Khouri in Prakash, G. and Kruse, K. M., eds. 2003: 200), which was the official religious interpretation of the Al Sauds (Ayubi 2003: 75). Another would be the lack of received benefits and revenue generated from the oil and gas fields in the Eastern Province, which is the region where the major petroleum reserves are. There is also an element of non-Arab identity that is across all components of the framework and adds a layer of complication to address. This is noticeable with communities such as the Uzbeks that have been migrating from Central Asia to the Arabian Peninsula for centuries, settling mainly in Hijaz<sup>112</sup>. Iranian groups similarly have followed an analogous migration, but with the setting of heavy anti-Iranian sentiments, do not readily identify with such ancestry. The connotations are not only with the rival regional power of the Persian Gulf but also the association with Shi'ism. It was in fact from Iran in 1979 when Ayatollah Khomeini seized power that the exportation of a Shia revolution was initiated<sup>113</sup>. An attractive argument to the Shias of the Eastern Province would be that Khomeini called the inheritable transferal of power in monarchy illegitimate (Ayubi 2003: 113) and therefore against Islam. Insurrections in the Eastern Province against the

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<sup>112</sup> Kalra, P. and Saxena, S. S. (Forthcoming). "Hidden Linkages: The Republic of Uzbekistan and the Gulf Region in Changing World Order" in an edited volume to be published by the Gulf Research Council.

<sup>113</sup> Derakhshi, R., Dahl, F., and Evans, D. (2009). "Iran Cleric Says 'Time to Export the Revolution'," in *Reuters*. Available online: <http://www.reuters.com/article/2009/09/04/us-iran-revolution-cleric-idUSTRE5833FV20090904> (Last Retrieved: May 22, 2013).

Al Saud and ARAMCO began but did not meet any widespread success (Ibid). Further security implications that have continued since 1979 in the Eastern Province will be covered in the next chapter. Hijaz, having more ethnic variability than other provinces in Saudi Arabia, is also tense but not as much as the Eastern Province where conflict has taken hold.

Ownership and management of natural resources are other sources of tensions that interact with the existent strains from the framework components. NOCs in many cases have been described to behave as malicious economic actors that act as states-within-states and this is certainly evident with Saudi Aramco (Soares de Oliveira 2007: 88 – 89). The lack of attention directed to other areas of the state economy has produced negligible economic diversification. The kingdom is a rentier state that is reliant on the sales of petroleum. Saudi Aramco has presented itself as a self-styled emporium that is mired with non-commercial obligations and incompetence (Ibid). The latter can be described as the irresponsibility of the state diversifying other economic potentials, making the country reliant on foreign support for sustainment, and facilitating ethnic tensions. NOCs are responsible for the managerial and regulatory demands of the oil industry and in the case of Saudi Aramco has also been the means for political patronage as well as elite empowerment (Ibid). The manifestation of resource nationalism lacks the multiple avenues of subsidiaries from NOCs that enable others aside from the Al Saud family and the elite to directly benefit. Rather, effective privatization has occurred in an absolute monarchy structure albeit with some exceptions since responsibilities and duties cannot be fulfilled by a single person or family alone and therefore assistance from the elite is provided. Ownership rights are therefore extremely sensitive to being wrested away from a single family, although the state interpretation of resource nationalism has manifested itself consistently and the NOC duties fulfilled. It is dependent upon the definitions of the notions that make up the framework in order to have perceived legitimacy. As a result of the Saudi Arabian definitions, ethnic tensions are more extreme than the other case studies and an absence of a constitution and set legal system further aggravates the existing strains. The Shias are not able to access natural resource benefits from the windfall and the materials are concentrated in their province<sup>114</sup> but, they are not the only community affected by the imbalanced distribution of wealth (Ibid). Other Sunni citizens have demonstrated against the monarchy for basic needs such as affordable

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<sup>114</sup> Black, I. (2011). "Saudi Expectations High Before Friday's 'Day of Rage' Protests" in *The Guardian*. Available online: <http://www.theguardian.com/world/2011/mar/10/saudi-expectations-high-day-rage> (Last Retrieved: May 22, 2011).



housing (Ibid). In 2011 an economic stimulus package of \$37 billion USD was proposed to the Saudi Arabian population by the King, but was not able to abate aggression directed towards the central government (Ibid). Rather, the package was viewed as a King attempting to purchase the contentment of subjects whose loyalties and misfortunes were able to be procured. It seemed as if there was no real care or consideration of the sentiments of the population, that moreover feel unprepared for a beneficial future that will enable them to compete with the international system due to the tightly monitored and Wahhabi-influence religious establishment that regulates education. A demand for greater political and economic participation in the country, which is also concerning the regulation and management of natural resources, was also ignored. The stimulus package also was keeping discrimination boundaries against gender and religious sect, with women and Shias unable to obtain certain benefits and occupations in the country<sup>115</sup>. The manifestation has facilitated tensions through marginalization that have led to joblessness and imbalanced salaries that affect many groups of the population.

Ultimately, in Saudi Arabia the manifestation of resource nationalism is present and consistent with the state interpretation of the framework, even though it may lead to hindrances inclusive of corruption and institutionalized deficiencies (Soares de Oliveira 2007: 89). Ownership of oil and gas has been essentially seized by the King and Al Saud through Saudi Aramco, which does not benefit the entire population. Thusly, it has resulted in tensions, which have impacted ethnicity and with a noticeable emphasis placed on religion. Critics may argue that resource nationalism does not exist since a person cannot embody the state, but a king can represent a kingdom and is the pinnacle of the political structure. Hence, resource nationalism is very much present and manifested in consistency with the theoretical interpretation.

### *United Arab Emirates:*

The manifestation of resource nationalism in the UAE differs from both that of Iran and Saudi Arabia as it has multidimensional facets that influence its outcome. Indeed, the political structure as well as history of the country has influenced the components of the framework, which in turn have produced a unique result. The Constitution of the UAE references natural resource ownership rights as well as the integrity of each emirate to maintain independence with

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<sup>115</sup> Johnson, M. (2011). Interview with Dr. Mai Yamani. "Saudi Arabia's King Abdullah's \$37 Billion Benefits Package" in *BBC*. Available online: <http://www.bbc.co.uk/news/business-12570842> (Last Retrieved: May 22, 2011).

internal affairs without risk of other emirates interfering (See Appendix C). The constitution was also the document that was signed by representative sheikhs from each emirate that brought the country into being. The union though has suffered a kind of identity crisis and aspects of its framework weigh heavily on notions of nation, nationalism, and ethnicity.

The formation of the UAE, as referenced earlier, was a collective agreement between seven emirates that were formerly under the banner of the Trucial Coast. Bahrain and Qatar were both invited to join, but eventually declined. Hence, the seven emirates embarked on a path together but did encounter great difficulties in forging an identity. Firstly, the UAE is a multiethnic assemblage of groups that have ancestry stemming not only from the immediate region of the Persian Gulf but also from other areas inclusive of the Indian subcontinent and Eastern Africa. The major ethnicity has been described as Arab but there are difficulties in assessing what constitutes an “Arab”. For instance, would an Arab be defined as one because of direct ancestry leading to an Arabian tribe or could it also be an individual from a separate lineage and ethnicity that goes through a series of adaptations to become an Arab? During the Umayyad Caliphate, ethnic non-Arabs were not allowed to hold particular positions in society or even to convert to Islam after a certain point because such elements were described as being reserved exclusively for Arabs; in order to ascertain such elements one would need to become a *mawali* or servant of an Arabian host and eventually be determined by the sponsor as being Arab after a period of servitude, despite not possessing Arab ancestry. Similarly, with the creation of the UAE came the initiation of the Emiratization program, which has been described in basic terms as a program designed for the reduced dependency on foreign labor as well as the advancement of the local population<sup>116</sup>. However, the definition of “local” and therefore authentic became subject to question with major categories of the *bidoon* and the *ajam* being factors. The *bidoon* or “without”, signifying statelessness, was a category created during the formation of the union, which entailed that there was a lack of citizenship grants. The receiving of citizenship was commonly either achieved through patronage by the sheikh of the emirate or through applications. There is also the scenario in which Emirati women do not have eligibility for their children to gain citizenship should her partner be outside the scope of the UAE, thereby

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<sup>116</sup> See <http://emiratisation.org/> (Last Retrieved: June 1, 2013).

making her children effectively stateless<sup>117</sup>. Apparently, there have been steps made towards the granting of citizenship to stateless children of Emirati mothers<sup>118</sup>, but this has yet to become a stable and solidified practice. Rather, the stateless have been encouraged at times to receive Comoros citizenship<sup>119</sup>, which has been proposed in place of the UAE citizenship.

The term “*ajam*” technically denotes all members of non-Arabic speaking background but has been applied more frequently to individuals of Iranian descent in the Persian Gulf. The term translates roughly to “mute” or “incapable of fluency”, referencing and emphasizing the difference in languages between Arabs and non-Arabs. Needless to mention, the term is derogatory in its historical application and has been used in a pejorative manner. Therefore, the term will henceforth instead be used in the descriptive manner to which individuals of Iranian descent that reside in the UAE refer to their group, which is “*khodmoonis*”<sup>120</sup>. The Emiratization program has already resulted in many *khodmoonis* being unwilling to admit Iranian ancestry, eroding such ethnic features such as language, out of fear of being unable to access the societal benefits provided by the UAE should they not be viewed as authentic enough and essentially Emirati. Indeed, many families can be readily identified as being of Iranian descent through such indicators as surname, lacking Arabian tribal affiliation, being unfamiliar with Arabian culture and practices, as well as other signals. Some *khodmoonis* have even attempted to invent history by labelling the group as *Hula* or *Bani Hula* in some effort to align the group with Arabs. However, this is certainly a newly occurring psychological phenomenon that is undoubtedly directly correlated with the fears of being excluded from the state and is more of a social response than a cohesive and collective movement to shift an entire group identity. After all, much of the UAE is comprised of *khodmoonis* that have constructively contributed to the progression of every one of the emirates before the country was formed as a federation. Certainly, there are well-documented invitations from local rulers in the 19<sup>th</sup> century that have

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<sup>117</sup> Zacharias, A. (2012). “Citizenship Hope for UAEs Stateless” in *The National*. Available online: <http://www.thenational.ae/news/uae-news/citizenship-hope-for-uaes-stateless> (Last Retrieved: July 31, 2012).

<sup>118</sup> Hellyer, P. (2012). “Citizenship Law is a Step Towards Even Greater Equality” in *Trench Law*. Available online: <http://www.trenchlaw.com/?p=2716> (Last Retrieved: June 27, 2012) and Salama, S. (2012). “New UAE Citizenship Rule for Children Clarified” in *Gulf News*. Available online: <http://gulfnews.com/news/gulf/uae/government/new-uae-citizenship-rule-for-children-clarified-1.963183> (Last Retrieved: June 27, 2012).

<sup>119</sup> Za’za’, B. (2011). “Suspect says he is Emirati and not from Comoros” in *Gulf News*. Available online: <http://gulfnews.com/news/gulf/uae/crime/suspect-says-he-is-emirati-and-not-from-comoros-islands-1.803840> (Last Retrieved: June 27, 2012) and Zacharias, A. (2012). “Citizenship Hope for UAEs Stateless” in *The National*. Available online: <http://www.thenational.ae/news/uae-news/citizenship-hope-for-uaes-stateless> (Last Retrieved: July 31, 2012).

<sup>120</sup> Persian: Literally “[part of] ourselves”.

invited mainland Iranians to develop the economy of what became the UAE; one such instance would be with Dubai and Bastakiyya (Commins 2012: 87). Nonetheless, discrimination against *khodmoonis* is present in the UAE and there is an obvious as well as concerted effort, such as with the Emiratization program, to discount them from society. After all, systematic attrition of ethnic features and cultural identifiers in favour of another group is undoubtedly evidence of prejudice.

The Emiratization program has endeavoured to capitalize on membership recognition in an effort to create a unified identity. Naturally, the state holds significant weight in the recognition process. Formalized confirmation of state acceptance can come in a number of ways; one such manner would be with a passport. National membership is assumed to be connected with possession of a passport, however in the UAE there is a separation of citizenship and passport. The former is of vital importance and is truly indicative of national membership to the UAE, being the means to which authenticity is granted. It should also be mentioned that possession of the latter does not signify entitlement or possession of the former. However, the relationship is reversed in the contrapositive in that citizenship does entail passport possession. The *bidoon* have already been described as not being entitled to either, it has been reported that *khodmoonis* have experienced difficulties in obtaining both, gender issues exist in that citizenship is passed to subsequent generations only from the male line, but there is a noticeable lack of Arabs experiencing difficulties in obtaining citizenship as well as passports even if coming from scenarios identical to the *bidoon* or *khodmoonis*, such as previous failures to fill application forms. Indeed, Emiratization appears to be undeniably equated with Arabization. Inhabitants that are determined to not conform to the “Arabness” required are forced into societal erasure with alternative citizenship offers at best should they not be deemed as belonging to the state. There is also preference and promotion of one group with defined characteristics that is determined to be the only “real” one of the country<sup>121</sup>. However, exclusions can prove damaging to Emirati ethnic and national understandings with subsequent consequences for nationalism and identity. For example, excluding the *khodmoonis* and therefore Iranian features from Emirati identity proves to be impossible. The emirate of Dubai for example was built on the economic

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<sup>121</sup> It should be noted that there are other groups such as Jordanians and Iraqis that have settled in the UAE and obtained citizenship who have not necessarily been treated on an even level. However, this can be attributed to reasons such as the groups not maintaining any historical interaction or links to the land or coming from tribes from other parts of the Arabian Peninsula.

frameworks set forth by Iranian migrants (Commins 2012: 87). Symbols of the country, falling under the ethno-symbolist paradigm, include the ubiquitous *badgirs*<sup>122</sup> that is a technology hailing from Iran and appears on the UAE currency. Yet, psychological phenomena have instead taken hold in the country, such as with invented histories, reformed language<sup>123</sup>, and the constant changing of names to distance *khodmoonis* from their ethnic background. It should also be mentioned that such phenomena are arbitrarily applied and constantly change.

Emiratization could have taken a path that is multifaceted in its approach. After all, unification does not necessarily entail uniformity, especially in an ethnic or national application. The UAE could have created a multifaceted identity that is inclusive of a variety of ethnicities, such as in Iran and Switzerland, which would easily address much of the tensions that currently exist within the country. Realistically though, neither the creation of a newly understood definition of Emiratization or the equality of gender will be implemented in the near future. Instead, the paradigm utilized and is most visible in the UAE would be with primordialism and Arabization. The emphasis on authenticity and therefore bona fide status is inherently problematic, which is certainly illustrated in the convoluted and contradictory methodology of determining rights to citizenship in the UAE. With the exclusions of the *bidoon* as well as the ethnic pressure put on to the *khodmoonis* in the UAE the platform for tensions has been set. Tensions thus far have not resulted in anything other than a strong desire to Arabize, which is conforming to the Emiratization program and illustrative of desperate aspirations to be included in society and to access natural resource wealth. But the situation is delicate and there is certainly latitude for the situation to worsen and problems become exacerbated to the point of conflict. Already, citizenships have been revoked on grounds of terrorism<sup>124</sup> but also can be perceived as rescinding citizenship for political differences. Indeed, there are serious questions that arise to future progression in the country should the threat of revocation be present. Certainly, developments occur only with change but should the prospects of change lead to severe consequences then advancement may not effectively occur.

The manifestation of resource nationalism in the UAE has directly been affected by the components of ethnicity and nation that form ideas of the population makeup. Some questions

<sup>122</sup> Persian: Literally “wind-catcher”.

<sup>123</sup> For example, changing the word *badgir* to *barajeel* and labelling the latter as authentic regional Arabic.

<sup>124</sup> Kerr, S. (2011). “UAE Revokes Citizenship of Seven Islamists” in *Financial Times*. Available online: <http://www.ft.com/cms/s/0/1b8b4e84-2bf0-11e1-b194-00144feabdc0.html> (Last Retrieved: December 20, 2012).

that arose would be with regards to citizenship and identity, which of course has a significant impact on the patriotic zeal of nationalism. It is also difficult for those not included in society to feel nationalistic towards a nation that only produces rejection. There is also the issue as to who the state and natural resource wealth belongs to. The federation has acted with the head sheikhs from each emirate taking hold of the natural resources, which is particularly evident in the petroleum overlord of Abu Dhabi. There is consistency in this respect with the state interpretation of resource nationalism as well as the constitution. However, while NOCs as well as prodigious subsidiaries exist and are managed by sheikhs in each emirate, such as ADNOC and its subsidiaries having significant involvement from the Al Nahyan, the boundaries of ownership and management can become confused. Indeed, there is speculation that calculations of wealth for sheikhs in the UAE at times are inclusive of petroleum funds that are, constitutionally, funds generated from public property. The means to which monies generated from the sales of public natural resources come to the possession of managers must presumably have some sort of regulation from the public, yet this is lacking. It has also reached a stage that much of the population in the UAE believes and/or claims that the natural resources within each emirate belong to the head sheikh. Article 23 of the constitution explicitly forbids the practice of sheikh ownership in the natural resource sector. The same article states that the wealth of each emirate is to be considered public property as well. Therefore, while the functional managerial performance has been instituted and practiced by the sheikhs, it is the vagueness of boundary between personal and public funds that would be a significant factor in determining whether the UAE has been consistent with the state interpretation of resource nationalism or not. Ownership issues are extremely subject to scrutiny based on this premise and could directly violate the constitution should public funds be intertwined with personal wealth, where personal wealth is not necessarily confined to the sheikhs alone as corruption or institutionalized deficiencies could enable others to siphon funds for personal gain. This can additionally contradict Article 63 which states, "The members of the Council of Ministers shall aim to serve in their conduct the interests of the Union, the promotion of public welfare and totally renounce personal benefits. Members of the Council of Ministers must not seek profit from their official positions in any way whatsoever for themselves or for any person closely related to them," where the Council of Ministers can be comprised of citizens aside from the sheikhs and their families depending on the interpretation of Article 56, "Ministers shall be chosen from among citizens of the Union

known for their competence and experience,” (See Appendix C). In practice, technicalities persist in facilitating effective sheikh control and ownership, depending on how managerial functions are interpreted or defined. The notion of “interests” as well as what would be in the best interest of the emirate and how the law in each emirate is determined are just a few of the many technicalities that can be used to bolster the existing authorities.

In essence, the manifestation of resource nationalism has expressed itself in seven independent but identical manners with each of the emirates having a sheikh at its head ruling a small dominion that is a part of a larger federation. Each head sheikh can be regarded in a similar fashion to that of the King of Saudi Arabia in that they are the living embodiment of each emirate and the pinnacle of what each member of the emirate should be like. Given that there are seven emirates with seven different sheikhs there are seven different personalities to address. Consequently, depending on the managerial functions of each of the seven sheikhs infrastructure can vary drastically from one emirate to another. An example would be with Dubai being a wealthier and more developed emirate than Umm Al Quwain. NOCs are present in the UAE but are again broken down between each emirate. ADNOC for instance hails from Abu Dhabi while ENOC hails from Dubai and whereas traditionally the NOCs have limited their activities to their host emirate there is evidence of activities starting to extend beyond host boundaries such as with ENOC having minor presence in Abu Dhabi<sup>125</sup>. In attempting to forge unification in union of the components of resource nationalism, programs such as Emiratization were implemented. Emiratization has had a bilateral relationship with resource nationalism in the UAE in that it affects the direction of the framework while also being affected by its vivification. At present, the program has been able to limit all inhabitants of the UAE to access the benefits of natural resource wealth with a striking highlight of the *bidoon* being referenced. Consequently, resource nationalism in the UAE has contributed to developing tensions in the country. There is particular emphasis placed on ethnicity in this respect. The notions of nation and nationalism are not excluded though. Rather, the two have suffered greatly as a result of the emphasis and definition placed on ethnicity. Nonetheless, the manifestation of resource nationalism in the UAE is consistent with the state interpretation but is subject to extreme technicalities that can potentially negatively impact the country in the future. The model can improve but this would depend on a new and more progressive definition of Emiratization.

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<sup>125</sup> See <http://www.enoc.com> (Last Retrieved: April 11, 2012)

### *Correlation and Impact:*

The case studies have demonstrated that there are momentous outcomes that can result from the manifestation of resource nationalism and its differences from theoretical interpretation. Iran, Saudi Arabia, and the UAE have all experienced ethnic tensions resulting from the framework implementation. While the relationship between resource nationalism and ethnic tensions is not exclusively positively correlated in theory, it has created the atmosphere to do so within the case studies. Resource nationalism is not the cause of ethnic tensions, but its implementation and concept definitions do create a prejudiced environment in the Persian Gulf, where prejudice is found on national and regional levels. It functions more so as an intensifier or aggravator, with the ability to incite and worsen tensions to varied degrees through numerous manners depending on whom or what receives the petroleum revenue. Hence, the tensions present in the littoral are not necessarily coincidental alongside resource nationalism. The impact on international relations is astounding, with themes of security and economy being important ones. The effect on identities is also striking, for example with *khodmoonis* in the UAE forsaking their background for economic gains and/or out of fear of other consequences such as membership withdrawal or expulsion. The findings are undoubtedly fascinating because they are brought about by resource nationalism, which was initially implemented to limit the access of foreign powers to domestic natural resources and their sales for the purpose of reducing a perceived economic discrimination but instead resulted in all countries being rentier states with partisan environments and tensions.

### *Extensions of Resource Nationalism:*

The manifestations of the framework covered have described ethnic tensions that have resulted or worsened as a result of implementation. Other areas that were affected included the notions of the state, nations, and nationalism. Ownership is a fundamental underlying source of pressure for such tensions and collateral effects. Resource nationalism though is an extremely dynamic framework that has many applications as well as products. Influential entities produced are vital to review, especially with the case studies. Sovereign wealth funds (SWFs), which are a noticeable product of resource nationalism and its conceptual advancement, are extremely powerful economic entities. All countries in the Persian Gulf possess SWFs including the case



studies of Iran, Saudi Arabia, and the UAE. The influence of SWFs from this region like many others goes beyond domestic developments, populace sustainment, and cultivation, reaching high profile international presences that have the potential to affect global markets.

### ***Sovereign Wealth Funds:***

Resource nationalism through its interpretations and voluminous manifestations has increasingly been leading countries implementing the concept as state policy to create economic measures that bolster assured funds to the state. The economic measures moreover address the apparent understanding of resource nationalism in that the claims of the government over the natural resources located within its jurisdiction are solidified since the ensuing economic proceeds derived from the sales of natural resources are directed immediately to the government. Increasingly, economic bodies directly associated with the state have been developed from the understandings of resource nationalism, more frequently appearing as sovereign wealth funds. Comprehending SWFs are hence crucial to grasping future development with resource nationalism since the evolution of the paradigm across its interpretations around the world have SWFs appearing in state form. SWFs however like resource nationalism have an amorphous conceptual definition with no designated meaning.

SWF is an original terminology used to refer to state-owned or associated investment funds that are composed of financial assets. Typically, the investment portfolio includes properties, stocks, bonds, and other companies. The term is credited to Andrew Rozanov in 2005 who used it to build off of the shifting from traditional reserve management to sovereign wealth management in the financial sector, investigating the entities that held state affluence (Rozanov 2005: 1). Yet, while the term SWF was first used in 2005, the concept stretches back centuries earlier. The roots of SWFs can for example be traced to Texas, USA in 1854 with the establishment of the Permanent School Fund (PSF), which was a fund that was designed to provide financial benefits to primary and secondary schools<sup>126</sup>. The successful installation of the PSF in Texas triggered its follow-up known as the Permanent University Fund (PUF) and had the same purpose of granting financial benefits to the educational sector but on a university level. The establishment of the PSF and the PUF came following the integration of the Republic of

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<sup>126</sup> <http://www.tea.state.tx.us/psf/> (Last Retrieved: March 1, 2014).

Texas into the USA<sup>127</sup>. Of course, while citing the PSF and PUF as origins of SWFs the unstructured boundaries of what distinctly characterizes a SWF apart from other financial or economic bodies is illustrated as well. At times, especially when investigating the beginnings of a concept, it is difficult to distinguish between separate models when many different models can be traced back to the same foundation but have developed in varying directions. SWFs are no exception to this observation. It can be challenging even at present to consistently identify SWFs as separate economic bodies from other entities such as central bank reserves. The responsibilities of SWFs sometimes become blurred with the traditional functioning of other economic areas of the country. For example, the domestic investments conducted by SWFs, as was the case with both the PSF and the successor PUF in Texas, could be interpreted as central government investments via bank reserves. In this vein however the investments can also be viewed as coming from organisations that are associated with the government, which in turn create a strong argument for SWF features to be exhibited. Another instance would be that frequently SWFs act as the voice of governments when making international investments. Before the SWF concept was proposed, such a function would be demonstrated from other political and/or economic organisations with connections to a government. It should be noted though that while SWFs typically maintain links to a government they do not necessarily need to be exclusively associated with a government as they are independent funds.

Interestingly enough, the evaluation of Rozanov that led to the mainstream usage of SWFs comes at a time in which the SWFs of the Persian Gulf are gaining significant ground on the international financial scene. In fact, some of the largest SWFs in the world hail from the Persian Gulf region such as the Abu Dhabi Investment Authority (ADIA), the Saudi Arabian Monetary Agency (SAMA), the Kuwait Investment Authority (KIA), and the Qatar Investment Authority (QIA). A parallel to note at this point would be that some of the Arab states of the Persian Gulf established SWFs close to the time of their state foundation and/or independence, which is a similarity that is shared with the integration of an independent Texas into the USA. While Texas did not remain an independent state separate from the larger country it joined, the SWFs were established close to its incorporation into the USA.

Rozanov, who devised the terminology of SWFs, defined it as the following, "...by-products of national budget surpluses, accumulated over years due to favourable

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<sup>127</sup> <http://www.utimco.org/scripts/internet/fundsdetail.asp?fnd=2> (Last Retrieved: March 1, 2014).

macroeconomic, trade and fiscal positions, coupled with long term budget planning and spending restraint. Usually these funds are set up with one or more of the following objectives: insulate the budget and economy from excess volatility in revenues, help monetary authorities sterilize unwanted liquidity, build up savings for future generations, or use the money for economic and social development,” (Bazoobandi 2013: 1 and Rozanov 2005: 1 – 4). The description proposed in 2005 however reached further refinement since then given additional research and the fact that SWF presence was on the rise with over 30 new funds created since the concept was demarcated by Rozanov. In 2008 The International Working Group (IWG) of SWFs established by the International Monetary Fund (IMF) in conjunction with SWF managers proposed that a definition of SWFs would be understood as, “... special purpose investment funds or arrangements that are owned by the general government. Created by the general government for macroeconomic purposes, SWFs hold, manage, or administer assets to achieve financial objectives, and employ a set of investment strategies that include investing in foreign financial assets. SWFs have diverse legal, institutional, and governance structures. They are a heterogeneous group, comprising fiscal stabilization funds, savings funds, reserve investment corporations, development funds, and pension reserve funds without explicit pension liabilities,” (Bazoobandi 2013: 2 and IWG of SWFs). By 2013 there were far more descriptions of SWFs given the interest and research invested in the concept. The SWF Institute for example defines such funds as a “state-owned investment fund or entity that is commonly established from balance of payments surpluses, official foreign currency operations, the proceeds of privatizations, governmental transfer payments, fiscal surpluses, and/or receipts resulting from resource exports. The definition of sovereign wealth funds exclude, among other things, foreign currency reserve assets held by monetary authorities for the traditional balance of payments or monetary policy purposes, state-owned enterprises (SOEs) in the traditional sense, government-employee pension funds (funded by employee/employer contributions), or assets managed for the benefit of individuals. Some funds also invest indirectly in domestic state-owned enterprises. In addition, they tend to prefer returns over liquidity, thus they have a higher risk tolerance than traditional foreign exchange reserves<sup>128</sup>”.

With competing definitions already in place and a debate between financial analysts and academics still raging, how can SWFs be understood with even more definitions being devised?

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<sup>128</sup> <http://www.swfinstitute.org/sovereign-wealth-fund/> (Last retrieved: June 5, 2013)

In essence, the many existing and forthcoming definitions of SWFs demonstrate commonly found characteristics. Therefore, SWFs can be viewed firstly as economic entities that are owned and financed by their respective governments. It must also be noted that SWFs are either commodity (CSWF) or non-commodity based (NCSWF). Since natural resources fall under a commodities branch and SWFs can possess hard natural resources as state affluence such as precious metals, with regards to the case studies all are exclusively commodity-based off of oil and gas. A second observation would be that SWFs are also typically managed by separate organisations aside from the central banks, although this does not always need to be the case. Moreover, SWFs are financed from government surplus revenue, “after planned government spending and/or off-budget expenditures are paid from the government commodity or non-commodity export incomes, the surplus is deposited in the SWF’s account,” (Bazoobandi 2013: 3). Additionally, a characteristic held across all SWF boundaries would be to safeguard the state economy from income volatility. While this aim may not be achieved in every scenario as will be reviewed with the case of Iran, the intention for SWFs to do so is steadfast. Insulating the state monetary system from surplus liquidity to control the inflationary effects of surplus liquidity would also be characteristic of SWFs and can be illustrated for example in the case in which a state monetary system is protected against the inflationary effects of having less oil because the country exports oil as its natural resource to gain revenue (Ibid). Economic diversification would also be purposeful for SWFs so that there would be no singular dependency for governmental income as is especially visible with rentier states and commodity-based SWFs. A supplementary feature of SWFs would be to use surplus income revenue to transfer novel technologies and services (i.e. expertise) to the population to facilitate economic and social developments within the state. In this vein, SWFs are to expand state economic wealth and business dealings that would be profitable for providing accessible funds to the population as well as expand the possibility of future state dealings. SWFs characteristically possess highly diversified investment portfolios that generate assets from outside state boundaries, but this does not always need to be the case. Finally, a common characteristic that would be representative of SWFs would be to accumulate funds to be used for future generations.

A report conducted by the International Financial Services London (IFSL) concluded that SWFs assets would be an estimated \$10 trillion by 2015 in part due to the rising oil prices and

the Asian countries' growing trade surplus<sup>129</sup>. The IMF confirmed the rise in SWF assets in their findings as well and valued the estimated total between \$6 – 10 trillion by 2015 depending on political and economic outcomes<sup>130</sup>. In 2008 SWF assets rose 18% over the previous year to amount to a total of \$3.3 trillion<sup>131</sup>. By 2010 the IFSL reported that SWFs were around 2.5 times bigger than hedge funds and that their assets held a figure of \$1.2 trillion above assets under management of private equity funds (Bazoobandi 2013: 1)<sup>132</sup>. It seems that while the global financial crisis did have an impact on the rapid growth rate and amassing of assets by SWFs the general trend was upwards, which is projected to continue into the future. After all, SWF donations in excess of \$70 billion from 2008 contributed to the financial bailout of Western banks with some of the larger payments coming from Persian Gulf SWFs (Bazoobandi 2013: 28).

### *Sovereign Wealth Funds as a Product of Resource Nationalism:*

With the importance of SWFs covered, its relationship with resource nationalism is seemingly absent or tangential at best. However, this is certainly not the case as both SWFs and resource nationalism share a near symbiotic relationship in that the former can be a product of the latter, if a policy of resource nationalism has been implemented first. With respect to the case studies, all have implemented a policy of resource nationalism before establishing SWFs. Indeed, the financial basis for SWFs to form under the case studies as CSWFs would be due to the generation of monies from oil and gas under the varied models of the framework. Should SWFs be formed independently from resource nationalism, this would be either due to the lack of commodities and natural resources that would be able to generate funds to make a CSWF or with a set of funds set aside for the specific formation of SWFs, such as with NCSWFs. As of 2013, six out of the top ten SWFs are of NCSWF origin<sup>133</sup>.

Like with all investment vehicles, there are different interpretations and practices that come. Therefore, when SWFs are coupled with resource nationalism there will be naturally be

<sup>129</sup> <http://www.reuters.com/article/2008/03/31/swf-ifsl-idUSL3161637720080331> (Last retrieved: June 5, 2013)

<sup>130</sup> <http://www.imf.org/external/pubs/ft/survey/so/2008/POL03408A.htm> (Last retrieved: June 5, 2013)

<sup>131</sup> Ibid.

<sup>132</sup> Also <http://www.thecityuk.com/research/our-work/reports-list/sovereign-wealth-funds-2013/> (Last Retrieved: June 5, 2013)

<sup>133</sup> <http://www.swfinstitute.org/fund-rankings/> (Last Retrieved: June 5, 2013)

differences between each of the case studies. Operations of SWFs are hence tied to resource nationalism and major CSWFs of the case studies will be covered.

*Iran:*

The Iranian SWFs have only recently garnered any form of attention, notably with a more liberal political regime of Mohammad Khatami establishing the Iran Foreign Exchange Savings Account (IFESA) in 1999 (Bazoobandi 2013: 106 and Bazoobandi 2011: 181). One of the major purposes of establishing the SWF was to insulate the fluctuating Iranian economy in an attempt to provide economic growth, protect against income volatility, and domestic economic stability (Bazoobandi 2013: 109). After all, IFESA was established as an oil stabilization fund and was an important step to managing Iranian natural resource funds (Ibid: 107). Therefore, given that IFESA was approved through the Iranian Majles as an oil stabilization fund (Ibid), it can be regarded as a CSWF and a product of resource nationalism given that natural resources, specifically with reference to Iranian oil and gas, are nationalized according to the Iranian Constitution (see Appendix A). But petroleum had been discovered in Iran long before the establishment of IFESA, which entailed that any SWF functions were the responsibility of NIOC. Hence, IFESA was formed quite late compared to other regional SWFs (Bazoobandi 2013: 107). Moreover, the international presence of IFESA is lacking due to the fact that the goals of IFESA were domestically oriented rather than global (Ibid). Given that there is a large population in Iran, especially compared to the GCC countries the task of managing the petroleum revenues has been considerably more difficult than the Arabian CSWF counterparts that are tasked with managing immense wealth with a smaller population (Ibid). Moreover, by the time IFESA was formed the Iranian Revolution had already transpired with a consequential limitation of access to global markets, particularly with Western finances, which was not the case with Saudi Arabia or the UAE for instance (Ibid). Limited international activities and investments are a crucial difference between IFESA and other GCC CSWFs (Ibid).

In 2011 the National Development Fund of Iran (NDFI) was formed with the purpose of replacing IFESA, which now holds all the previous monies that were under IFESA (Ibid). This CSWF was formed during the successive presidency of Mahmoud Ahmadinejad, who gained the position after Khatami. The NDFI was formed on the argument that the previous CSWF of IFESA was corrupt (Ibid: 120 – 123), lacked transparency, and failed at diversifying the reliance

of the Iranian economy off of petroleum (Ibid: 122 – 116). Regardless of any political motivations behind the relabeling of the oil stabilization fund from IFESA to NDFI, the purpose and functions of the CSWF were to remain the same. Perhaps due to the fact that there was mismanagement and scandals stemming from IFESA and that it was under a different regime, it would be at least perceivably beneficial from a superficial standpoint to establish a separate fund with a different name. The functioning of a CSWF would not be transferred to the already established NIOC due to the lack of transparency and presence of corruption in the company. For example, in 2012 a senior inspector for Iranian oil affairs revealed that there was a loophole in the legislation that had presented challenges to the Iranian Majles for over three decades, of course, this is with implicit reference to corrupt activities occurring in the organisation (Ibid: 109). The NDFI has not been established for very long but at least structurally seems to have more transparency than both NIOC and its predecessor CSWF of IFESA. It moreover has committed to the active role in expanding Iranian financial affairs to global markets. This is explicitly referenced through the government with a dedication of up to 40% of the CSWF to be used for the purposes of expanding to international markets (Ibid: 125). Since its inception, NDFI has apparently experienced growth from \$49.9 billion USD at the beginning of 2013 to \$61 billion USD by the end of 2013<sup>134</sup>. Of course, the NDFI has not been active long enough to assess whether it is a more successful CSWF then IFESA and operating with efficiency as well as transparency but it certainly a better option given that there is active government participation in at least the rhetoric of expanding the Iranian economy beyond its domestic boundaries and to engage more productively on international markets.

The Iranian experience with SWFs is limited but has already been characterized as being extremely weak with no international presence or investments. There has also been a lack of economic stabilization and a nonexistence of protecting the domestic economy in any sense of previously stated goals such as the purpose of protecting against income volatility and developing the domestic economy away from its reliance off of petroleum. Furthermore, regardless of transparency levels, which have been opaque at best, there has been rampant corruption throughout all levels of the CSWF that prevent any reasonable potential for the entity to project itself onto international markets let alone address the needs of its own population. In this vein, there is moreover limited access to international markets given the poor relationship

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<sup>134</sup> <http://www.payvand.com/news/13/sep/1095.html> (Last Retrieved: December 20, 2013).

Iran has with Western countries and sanctioning has certainly taken its toll; with a potential to increase its effects on the country. The large and growing population of Iran presents additional levels of complications to the management policies and weak management systems that are in place in the country (Ibid: 126). The lack of supervision once again creates another layer of complications that contributed to inefficiencies in the past (Ibid). Hence, regardless of whichever SWF may be in place in Iran, there are structural and societal issues that must be addressed and resolved to a great degree in order for there to be any economic success with such a financial entity employed.

#### *Saudi Arabia:*

The Saudi Arabian experience with SWFs is very different than that of Iran. The Saudi Arabian Monetary Agency (SAMA) was established in 1952 and has been the main CSWF of the country until the Public Investment Fund (PIF)<sup>135</sup> was founded in 2008 (Ibid: 55). The SAMA unequivocally acts on an imperative scale than that of its 2008 counterpart given that it is also the central bank of the country (Ibid). Its dual purpose of central bank and SWF has responsibilities that include regulating the banking system of the country and monetary stabilization (Ibid: 56). However, since a functioning of the SAMA is being the central bank of the country and is not specifically designated as an SWF, there has been debate as to whether it is in fact or not (Ibid). From the definitions of SWFs however, it can be concluded that the SAMA is a SWF in that the major source of wealth for the entity is commodity-based, which means that it is a CSWF and that its purpose of wealth accumulation is to stabilize the Saudi Arabian economy from economic shocks given the volatile nature of petroleum pricing (Ibid: 57). The SAMA has been active in managing high government expenditures for decades rather than financing international investments outside the boundaries of the country (Ibid: 61). As a result, other GCC SWFs have taken a competitive lead over Saudi Arabia, but this does may not necessarily continue into the future.

The SAMA international investment material has been difficult to obtain as the country may be concerned about political implications from investments made abroad and prefers to avoid high profile activities (Ibid: 69). Certainty, given the political weight Saudi Arabia holds in

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<sup>135</sup> <http://www.mof.gov.sa/english/pages/investment.aspx> (Last Retrieved: December 20, 2013) and <http://www.swfinstitute.org/swfs/public-investment-fund/> (Last Retrieved: December 20, 2013).



the international system, particularly with respect to the Persian Gulf region, this is an understandable stance. But what can be gathered at present however would be that the SAMA has been characterized by conservative investments that while not boosting or elevating the organisation to levels comparable to those of other GCC SWFs have protected its assets from economic shocks and significant losses as was evidenced with the global financial crisis of 2008 (Ibid: 71). Moreover, Saudi Arabia and the USA have had long standing relations since before the exportation of petroleum and have been amicable ever since with the establishment of Saudi Aramco for example, which has also had a greater impact on political relations that affected international politics. The importance of such a relationship meant that Saudi Arabia tied and held much of their assets in USD and while the USA has been increasing in economic power so have Saudi Arabian investments, steadily rising in a positive correlation with that of the USA. The strong base of USD coupled with its accessibility to international markets, inclusive of the lucrative Western ones, have only bolstered the SAMA to a position of firm strength (Ibid). Ties are likely to remain amicable between the two countries, which is definitely to the benefit of not only Saudi Arabia but its SWFs as well. There also is seemingly to realistic alternative at present to the USD in petroleum markets, which is the commodity in which the SAMA is able to generate much of its revenue (Ibid). Also, the currency is a preferable standard on financial markets as opposed to other currencies from developing economies such as the Brazilian Real or Indian Rupee.

Yet, while there are benefits to maintaining a conservative investment strategy, there is an unlikely path towards developing a diversified portfolio, especially one that could be competitive with other GCC SWFs (Ibid). Steps towards diversification have not occurred already and are a key reason to why Saudi Arabian SWFs are behind other GCC counterparts in doing so (Ibid). However, Saudi Arabia has maintained consistent with its conservative management policies that provide less of a risk to the SWF of experiencing potentially massive losses that would have deeper repercussions. While SWFs may be able to take investment hits and take risks at a higher level than other traditional means of monetary management, it does not mean that the entity is impenetrable or exception to experiencing economic shocks that may occur. Ultimately, keeping a conservative stance may be best for the country as the CSWFs continue to develop positively. The question remains though as to how long this situation can remain.

*United Arab Emirates:*

The UAE SWFs have experienced a lengthy history in the short existence of the federation. Considering the political structure of the UAE as a federation, SWFs were founded independently in emirates before the formation of the country. Abu Dhabi for example created the Abu Dhabi Investment Board in 1967, which was designed to manage the increasing excesses of oil revenue (Ibid: 73). Following the formation of the UAE in 1971, the Abu Dhabi Investment Administration was created to manage the same functions that the Abu Dhabi Investment Board did, but with greater independence from the department of finance (Ibid). Afterwards, the Abu Dhabi Investment Authority (ADIA) was created in 1976 and assumed all the previous responsibilities of its predecessors in addition to having even more independence from the department of finance (Ibid). ADIA, like many CSWFs, generates its funds from natural resources that are abundant in the form of oil in Abu Dhabi. ADNOC is the primary funder for ADIA although the latter maintains a diversified portfolio of investments that extend far beyond its domestic boundaries and natural resource industry.

By 2011 there were six major SWFs that were controlled by Abu Dhabi alone (Ibid: 75), one of the splinter groups from ADIA formed in 2007 would be the Abu Dhabi Investment Council (ADIC) and was designed to achieve superior risk-adjusted returns across the entire capital structure while preserving capital<sup>136</sup>. ADIC invests globally, which is defining of UAE SWFs, and there is a special focus for developing the economy of Abu Dhabi. For example, financial institutions such as the National Bank of Abu Dhabi (NBAD), Abu Dhabi Commercial Bank (ADCB), Union National Bank (UNB), and Al Hilal Bank are all entities that are under ADIC<sup>137</sup>. Other industries have also been developed such as with the Abu Dhabi National Insurance Company, Abu Dhabi Aviation Company, and Abu Dhabi National Chemicals Company<sup>138</sup>. Mubadala Development Corporation (MDC) is another product of ADIA whose mission statement states that the purpose of the organisation is “... mandated to strengthen Abu Dhabi’s growth potential, and to help the Government meet its socioeconomic targets. While the company’s investments are designed to generate sustainable profits over the long-term, they also deliver strong social returns to Abu Dhabi and the UAE. Focused on investment and

<sup>136</sup> <http://www.adcouncil.ae/> (Last Retrieved: June 5, 2013).

<sup>137</sup> <http://www.adcouncil.ae/AboutUs/InvestmentStrategy/tabid/63/Default.aspx> (Last Retrieved: June 5, 2013).

<sup>138</sup> (Ibid).

development across multiple sectors, [the] portfolio is valued at more than \$60.93 billion USD. Mubadala is an active investor in sectors and geographies that hold exciting potential and tangible returns, working in partnership with a number of world-class organisations<sup>139</sup>.” An important feature to note would be that Mubadala does have a heavily diversified investment portfolio that does provide a solid foundation for steering the domestic economy away from its reliance off of petroleum. Industries include aviation, financial services, healthcare, logistics, metals, mining, real estate, renewable energy, and semi-conductor production<sup>140</sup>. MDC is currently active in over 20 countries and is projected to become more active in the future<sup>141</sup>.

SWFs in Abu Dhabi and the other emirates was a strategic entity to develop in that like many other GCC countries there is double-digit inflation that affected traditional hand-out payments to the citizens of the country (Bazoobandi 2013: 75). Through developing a SWF to transfer Emirati petroleum revenue to other types of financial assets there is a platform from which the public and future generations will be able to build from (Ibid). A feature to note with the SWFs of the UAE would be that according to the federal constitution (See Appendix C), the natural resources and associated wealth that are located within the boundaries of each emirate is the property of that emirate (Ibid: 74). However, it is apparent that the institutions developed are accessible to the greater Emirati population despite being managed by separate emirates.

Another important UAE SWF to briefly explore would be Investment Corporation of Dubai (ICD), which is outside the petroleum giant emirate of Abu Dhabi. The SWF was formed in 2006 and as of 2012 one third of the companies that ICD holds investments in is in the financial sector, such as Dubai Islamic Bank<sup>142</sup>, some being in the industrial sector, such as DUBAL, others in the real estate sector with EMAAR properties as a highlighting instance<sup>143</sup>, and only one being in the energy sector – ENOC<sup>144</sup> (Bazoobandi 2013: 102). Indeed, a diverse set of investments held by ICD contributes to a constructive move towards economic diversification. However, the investment strategy of ICD, along with other UAE SWF counterparts, was susceptible to the global financial crisis of 2008 and experienced extreme

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<sup>139</sup> <http://www.mubadala.com/en/who-we-are/overview> (Last Retrieved: June 5, 2013).

<sup>140</sup> <http://www.mubadala.com/en/what-we-do> (Last Retrieved: June 5, 2013).

<sup>141</sup> <http://www.mubadala.com/en/interactive-portfolio> (Last Retrieved: June 5, 2013).

<sup>142</sup> <http://www.icd.gov.ae/pages/portfolio-investment-sector.php> (Last Retrieved: June 5, 2013).

<sup>143</sup> <http://www.icd.gov.ae/pages/portfolio-real-estate-and-leisure-sector.php> (Last Retrieved: June 5, 2013).

<sup>144</sup> <http://www.icd.gov.ae/pages/portfolio-industrial-sector.php> (Last Retrieved: June 5, 2013).

shock that demonstrated the vulnerability of producing numerous and flashy investments (Bazoobandi 2013: 103 – 104).

But, while a more conservative change in tactics may appear beneficial to the future of SWFs in the country, it does have its drawbacks. For example, the models presented in the UAE were steering in a direction that was going to eventually be away from a heavy reliance on petroleum. Also, extreme diversification placed the UAE as a leader in the SWF scene, with other traditionally economic powers in the region such as Saudi Arabia being left behind; which undoubtedly granted UAE economic prestige that it was previously lacking. The unconventional and creative investment strategies from the various SWFs also enabled the UAE to gain ground on areas that were previously unexplored. Therefore, while there was certainly a trade-off in stressing the investment hits that would be able to be taken by SWFs it was far from a gamble. Rather, it can be viewed as strategic expansion albeit with potentially significant risks; as was played out with the Emirati investment vehicle shocks from the financial crisis of 2008. At present, the UAE SWFs are currently the strongest out of the case studies and have garnered significant international attention as well as presence. Yet, without its connection to resource nationalism via commodities wealth being injected to the initial formation, maintenance, and continuity of the SWF, the entities would cease to exist and the economy of the UAE would not be as powerful.

### *The Enduring Legacy of Sovereign Wealth Funds:*

SWFs are increasingly becoming politicized with more associations with the state and central government being present. The relationship will assuredly continue and advance or convolute the dynamism of resource nationalism depending on the perspective. SWF associations with resource nationalism and its many interpretations are clear though, influencing even the fundamental elements that comprise the concept. For example, when viewing the Arabian SWFs a degree of nationalism can be seen with the decision-making processes and international investments made in order to bring international attention to the region in addition to establishing and introducing domestic Arabian names into the global financial system (Ibid: 166). Investment strategies of SWF institutions from the UAE such as ADIA, IAD, and MDC vivify such a claim. The investment models are so successful in fact that other countries in the region such as Kuwait with the KIA have based their SWF investment strategies off of the UAE

expansion (Ibid). While SAMA has remained behind other GCC states in their CSWF value and investment expansion, there is a posited rise for Saudi Arabian presence given their interstate competitiveness with regional actors. Expansion however does not occur without its risks. In the aftermath of the global financial crisis Persian Gulf CSWFs suffered greatly, incurring massive losses with poor business deals (Ibid). The rates at which SWFs expand consequently are lower than previously experienced and rates are not expected to spike upwards in the near future given the costly lessons that have been incurred onto the Arab CSWFs. A less reckless and more cautious approach to making investments have become incorporated into the investment strategies for the time being although the more reputable and flashy investments may be acquired in the future, once again capitalizing on a high risk investment appetite with the assumption of consistent petroleum funds being injected into the SWFs; once again having the lifeline feed of resource nationalism connect.

SWFs will indeed proliferate into the financial scene of the future and therefore will become increasingly important as such. Symbiotically, resource nationalism too will become important, particularly with understanding at least the initial source wealth for the founding of such entities as SWFs. After all, there are continued injections of natural resource revenue into CSWFs, particularly when they are in need of quickly accessible capital. Hence, when discussing SWFs, chiefly CSWFs, it is almost expected to address resource nationalism as well with the only factor of implementation being the determinant. SWFs are extremely powerful economic entities and are not only intimately connected with natural resources in the case of CSWFs but also with the population of the state that funds it. Power can be projected beyond domestic boundaries to the international system and create significant presence. Of course, the entitled to the wealth and its distribution are just some of the issues that must be addressed in order for SWFs to maximize the effect(s) their existence. Nonetheless, it is without question that there will be continuous appeal for producing and advancing SWFs in the future.

### ***Conclusion:***

This chapter has expounded on resource nationalism in Iran, Saudi Arabia, and the UAE. The process through which the framework has taken root in the case studies and expressed has been covered. State interpretations from an idealistic point of view were presented along with commonly found characteristics of resource nationalism interacting with petroleum, namely

NOCs. But, the theoretical realm and idealism are not able to capture the veracity of implementing and utilizing a framework as dynamic as resource nationalism. Therefore, the manifestations of resource nationalism were reviewed, which envelops issues such as ethnic tensions. SWFs were also covered as a product of resource nationalism, which in the case of the Persian Gulf states was revealed to have an incontestable relationship with the framework given that hard commodities were the basis for all revenue generated for the initial formation of the entity. Indeed, resource nationalism stretches beyond its superficial observations and is complex. However, the analysis in this chapter did not adequately address the complexity of security issues and concerns associated with resource nationalism. While effects of employing the framework as policy was covered in addition to the state interpretations and manifestations as well as the association with ethnic tensions, issues such as the point to which conflict and violence ensues was not elaborated. Hence, the subsequent chapter will investigate supplementary aspects of resource nationalism that fit within the security niche and even further explores the complexities and dynamism of the framework.

## Chapter 4: Energy Security and the Geopolitics of Petroleum

This chapter will examine additional domestic and international impacts resource nationalism can have when utilized. Firstly, geopolitical aspects such as select pipeline politics and projects will be covered. Next, ownership disputes over deposits and additional tensions surrounding petroleum in the Persian Gulf will be discoursed. Afterwards, energy security themes will successively be analysed starting with resource wars, given the centrality of natural resources to the region. Given that resource nationalism is a dynamic framework that can be used for more purposes than simply management of natural resources, some of its other functions will be explained in context of energy security. Namely, this would be with reference to the framework being used as interstate warfare and the promotion of militarization in the case studies. The subsequent section will be concerning the proliferation of auxiliary risks in the Persian Gulf. One such risk would be nuclearization, which shares close ties with all interpretations and manifestations of resource nationalism. Consequential sector privatization and further security parameters will be then be factored. This is followed by a conclusion, which will summarize the main findings of the chapter and lead to the subsequent chapter concerning theoretical shortcomings of resource nationalism and management tactics of such for the case studies.

### *Pipeline Politics and Project Histories:*

The Persian Gulf region, being the singular largest concentration of petroleum deposits in the world, naturally has been developed over the years to include an elaborate network of pipelines and other oil and gas transportation means (Figure 4.1). Shipping lanes are indeed used for the importation and exportation of petroleum and its by-products. A key geographic feature to note would be the Strait of Hormuz at the mouth of the Persian Gulf, which forms a strategic chokepoint (Figure 4.2). Iran in this sense can potentially command significant influence. It maintains more shoreline on the Persian Gulf than any GCC country. One pillar, half of the chokepoint, is within its territorial integrity. While the other pillar of Al Musandam on the Arabian Peninsula, an exclave of Oman, has a joint security agreement with Iran to share its responsibilities. Additionally, the Strait of Hormuz is extremely narrow and shallow in depth, which limits activities occurring in the area (Figure 4.3). Iran has been reliant on the strait for much of its petroleum exportations. But as far as pipeline politics is concerned, Iran has played a

very passive role and has not actively sought to diversify much of its dependency away from the Persian Gulf despite possessing the strategic geography to do so, such as through the Caspian Sea to the north.

Saudi Arabia though exhibits a similar dependency but since the majority of the domestic economy is based on the sales of petroleum and has unrestricted access to international markets, the country is in an even more sensitive position of being reliant on the strait for generating palpable revenue. Yet, given the sheer quantity of oil in Saudi Arabia coupled with its strategic positioning, a reliance on the exportations exclusively through the Strait of Hormuz is a natural geographic boundary that would be of interest for the country to circumvent. Among the reasons for circumvention would be that petroleum would be able to be shipped more quickly to foreign markets to the west, there would be a lessened reliance on the Persian Gulf waterway for exportation, and circumvention would begin to capitalize on the strategic position of the country. While complete evasion of the Persian Gulf for transportation was unrealistic, diversification of transportation routes certainly was not and had been perceived as early as 1945 in Saudi Arabia with the construction of the Trans-Arabian Pipeline (Tapline) (Kandiyoti 2012: 63, Figures 4.1 and 4.4). The Tapline was completed in 1950 and provided an active feed of oil from the Eastern Province of Saudi Arabia through Jordan, Syria, and Lebanon to Sidon on the Mediterranean Sea (Kandiyoti 2012: 63, Figures 4.1 and 4.4). Initially, the project was to go through the British Mandate of Palestine; however, the establishment of Israel prompted the Tapline to seek an alternative route through the Golan Heights in Syria (Kandiyoti 2012: 67). Once active, oil flowed from Persian Gulf to Mediterranean Sea and although originally estimated to set forth 15 million tons of crude per year, additional pumping stations in Sidon facilitated upwards of a 25 million tons of crude per year by 1957 (Ibid: 63). But, a Mediterranean-bound pipeline from the eastern Arabian Peninsula was not without its difficulties in operations. Naturally, being without direct access to ports on the Mediterranean Sea, Saudi Arabia was reliant off its neighbours for support. However, not much was given, instead heavy taxes and an area subject to violent Levantine geopolitical conflicts weighed down on the benefits of having the Tapline active (Ibid: 68 – 69). Being a stationary pipeline that is transporting precious crude in a conflict-prone region is also conducive to potentially regarding the Tapline as a soft target (Ibid: 69). Costly maintenance issues, which even shut the pipeline down on numerous occasions for repairs, additionally worked against the transportation route that eventually led to its closure in 1990



(Ibid: 70). Reactivation of the pipeline would not be cost-effective given that around the time of its cease of operation, the Tapline was dated in its construction technique while also possessing a small diameter for petroleum output. Despite its ultimate failure as a project, the Tapline was a serious move towards diversifying trade routes away from the Persian Gulf.

While the Tapline may have initially been created for purely economic reasons, there is indeed more strategic logic to initiating another move towards alternative transportation routes that capitalize on Saudi Arabian positioning, such as with the Red Sea<sup>145</sup> as already illustrated with the port of Yanbu (Figure 4.5). Renewed pipeline ventures to the west in the direction of the Mediterranean Sea in addition to other port projects are always viable, albeit expensive, options for Saudi Arabia to traverse. However, expanding operations may prove more beneficial in the long term since petroleum shipping would be less susceptible to any potential disruptions that would occur at the Strait of Hormuz. Of course, relying on the Suez Canal in Egypt is an additional dependency to be concerned with, but that condition had already been factored when weighing risks of transporting product to foreign markets positioned to the west of the country. The Suez Canal also has historically experienced a more stable trade than the Strait of Hormuz, although both are disposed to geopolitical tensions. Yanbu in the meanwhile provides Saudi Arabia with one of the three primary export terminals of the country, with the other two of Ras Tanura and Ras Al Juaymah being based on the Persian Gulf<sup>146</sup>. Of the terminals based on the Persian Gulf, Ras Tanura is larger having a 6 million bpd capacity and is the largest offshore oil loading facility in the world; approximately 75% of Saudi Arabian exports are loaded at the facility (Ibid). Ras Al Juaymah has a capacity of up to 3.6 million bpd and is smaller than Yanbu, which has a 4.5 million bpd capacity and a 2 million bpd natural gas liquids (NGL)<sup>147</sup> loading capacity<sup>148</sup>. Reportedly, Yanbu has not yet been used to full capacity but would be of significant interest for the country to do so rather than focus more than 75% of the export terminals and capabilities on the Persian Gulf (Ibid). By doing so, Saudi Arabia has firmly entrenched itself to focusing on the Strait of Hormuz when it can certainly capitalize more than it has already been

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<sup>145</sup> See Ehteshami, A. and Murphy, E. (2013). *International Politics of the Red Sea*. Routledge: New York and London.

<sup>146</sup> <http://www.eia.gov/countries/cab.cfm?fips=SA> (Last Retrieved: October 18, 2013).

<sup>147</sup> NGL differs from LNG in that the latter is generally 95-99%+ methane and is produced from cooling the gas to a temperature of about -163 degrees Celsius from which it is then stored in insulated tanks. The former is essentially any hydrocarbon that is heavier than methane by atomic weight and can be stored at ambient temperatures under pressure. Commonly understood examples of NGL would be propane and butane.

<sup>148</sup> <http://www.eia.gov/countries/cab.cfm?fips=SA> (Last Retrieved: October 18, 2013).

doing so by shifting westward (Ibid). There are apparently moves towards developing Yanbu further though with upgrades at refineries to occur in 2013 (Ibid).

Other attempts in the region to skirt the Strait of Hormuz would be with UAE endeavours, notably with the developing of pipeline networks to Fujaira along with a newly created export terminal that grants immediate access to the Gulf of Oman to foreign markets (Figure 4.5). One project developed for the sole purpose of avoiding the Strait of Hormuz would be with the Abu Dhabi Crude Oil Pipeline (ADCOP) that links the rich fields of Habshan to Fujaira (Figure 4.6). Unlike Saudi Arabia, the development of the ADCOP is not running outside state boundaries and therefore does not make the UAE reliant off any neighbours when transporting its crude<sup>149</sup>. ADCOP has a sizeable capacity of 1.5 million bpd and cushions the UAE to a great degree against any potential closure of the Strait of Hormuz (Ibid). Additionally, Fujaira significantly assists in creating an avenue in which the UAE would be able to evade exportations via the chokepoint. It is already one of the largest bunkering ports in the world and expanding the capabilities of the export terminal to include facilities subsea loading lines and deepwater tanker loading stations would make it a formidable station (Ibid). There is moreover a planned refinery to be built that would provide fuel for both domestic as well as international markets and has an estimated capacity of 250,000 bpd (Ibid). Coupled with other expansion projects, the emirate is rapidly becoming a node for a developing network alternative to being reliant and at the mercy of a chokepoint.

The UAE has also sought the development of additional projects that would direct more traffic through its developing network. For example, the UAE and Oman have agreed to construct a jointly-operated refinery that would have an expected capacity of 200,000 bpd (Ibid). Qatar has also experienced dealings with the UAE to assist in satisfying growing international demand for natural gas. The Dolphin Gas Project is a pipeline that connects Qatar directly to the UAE onward to Oman, bypassing the Strait of Hormuz and linking to international markets (Ibid and Figure 4.6). LNG trade from Qatar is lucrative to say the least and the UAE has also been increasing its role in that sector as well, with more experience being gained from the Dolphin Gas Project. However, natural gas from domestic UAE reserves are high in sulphur content, which affects the ease processing given that the material is highly corrosive and can cause

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<sup>149</sup> <http://www.eia.gov/countries/cab.cfm?fips=tc> (Last Retrieved: October 18, 2013).

damage when processing<sup>150</sup>. Due to the difficulties of managing natural gas of such quality and with higher quality oil deposits as an alternative, the UAE flared its gas fields for decades rather than undertake the more expensive process of gas refinement and LNG sector development. Yet, progressions in technology have facilitated the improvement of pipeline structure and integrity, which draw the UAE to develop its reserves to satisfy domestic demand.

While the UAE does not have any real option of directly accessing markets via the Mediterranean Sea without losing considerable profit, it is certainly maximizing its positioning of geography, just as Saudi Arabia had, for eluding Persian Gulf dependency. By positioning itself to a developing transportation alternative that is moreover cooperative with its neighbours, the UAE can categorically benefit from its efforts. It should be noted that Persian Gulf dependency would only be lessened and not necessarily eliminated. However, the purpose was to access international markets more freely and steadily, which would not place at least the UAE under Iranian influence with the Strait of Hormuz. After all, Iran does hold significant weight in the Persian Gulf, especially at the chokepoint, and should not be therefore underestimated. Similarly, options for skirting the Strait of Hormuz should not be dismissed as well, which is why countries such as Saudi Arabia and the UAE should not be underestimated too. Capabilities indeed are present on both sides of the waterway. In the meanwhile, pipeline politics demonstrate a growing discomfort of countries on the Arabian Peninsula of being reliant exclusively on the Persian Gulf for imports and exports of petroleum.

### *Ownership Disputes and Petroleum Tensions:*

Predominantly, the states of the Persian Gulf respect the territorial integrity of each other when it comes to petroleum reserves. There are not many high-profile international disputes over ownership rights to oil and gas as there is a principle of mutually respected boundaries indicating recognized sovereignty. An exception to this case though would be between Iran and the UAE concerning three islands in the Persian Gulf, namely, the Abu Musa, Greater Tunb, and Lesser Tunb (Figure 4.3).

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<sup>150</sup> <http://www.eia.gov/countries/cab.cfm?fips=tc> (Last Retrieved: October 18, 2013).

*Interstate Rivalry and Dynamics of Strategic Geography:*

In order to understand the contest, it is necessary to understand a brief history of the islands. Firstly, from a historical perspective the earliest claims that the UAE can make to the islands would be as a collateral legacy of the Al Qasimi royal family of Sharjah<sup>151</sup>. Prior to the Al Qasimi influence exerted on the Persian Gulf from Bandar Lengeh starting in 1747, there were no claims challenging Persian authority over ownership of the islands. The Al Qasimi confederacy straddled opposite shores of the Persian Gulf and commanded influential naval capabilities to such an extent that the British Empire intervened to subdue activities launched against their newly developing presence in the region. When transferring power from an Al Qasimi sheikh to his successor, there was a view that territorial dominion would also be passed down (Ibid). One such claim to territorial possession would be the Abu Musa Island (Ibid). However, hereditary tribal possession, while *de facto* was influence and authority to a degree over the property of a *de jure* established sovereign state that did not belong to the Al Qasimi confederacy, was according to the practices of the family inherited property (Ibid). When Sharjah became an established emirate in 1820, the Al Qasimi confederacy still stretched across opposite shores of the Persian Gulf but did not incorporate the portion of the tribe that still inhabited Persia. However, Abu Musa came under the effective dominion of Sharjah via the British Empire although Persian sovereignty over the island was not challenged and even recognized by the latter (Ibid). Sharjah had even contracted red iron oxide concessions in 1897 from Abu Musa via Persian contractors based in Bandar Lengeh (Ibid). The island had also been traditionally grouped under the Hormozgan province of Persia (Ibid). However, given the rise of British influence in the Persian Gulf and that the Emirate of Sharjah along with its neighbouring emirates on the Arabian Peninsula were a British protectorate, the island increasingly fell under Sharjah influence with superior British military power contractually backing the emirate through a Memorandum of Understanding (MOU).

However, in order to understand Abu Musa Island it is necessary to comprehend further composition of islands in the Persian Gulf, such as neighbouring Sirri Island, which was never claimed by any other force in the region other than Persia. In terms of nomenclature, the name “Abu Musa” had been intertwined with the names of other islands that included Sir Bani Yas, Sir

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<sup>151</sup> Mirfendereski, G. (2011). “Abu Musa” in *Encyclopedia Iranica*. Available online: <http://www.iranicaonline.org/articles/abu-musa-bu-musa> (Last Retrieved: November 22, 2013).

Bu Nayar Sirri, and Sirri which was also known as Sir Bu Sur, with Abu Musa being formerly known as Sir Bu Musa (Ibid). Etymology for Sir Bu Musa is likely to be related to the Dastur inhabitants<sup>152</sup> that operated throughout Persian Gulf islands that included Greater Farur and Sirri to Dalmah off of the Abu Dhabi coast<sup>153</sup>. A pearl bank close to Dalmah had been called Hawad Bin Musammih, which was a name likely derived from *musaqqam* translating to “one who is financing a pearling fleet” (Ibid). Naturally, there is a suspected link between “Bin Musammih” and “Bu Musa”, especially given that it was not unusual to have pearl banks named for a group from another area such as Dhahr Al Yas being named off of Dalmah Island despite being far from Sir Bani Yas Island itself or the Abu Dastur pearl bank being made to an area that was tracing back to Sirri Island (Ibid). Another theory points out that the island in local dialects is known as Bu Mouf<sup>154</sup> and Gap Sabz[u]<sup>155</sup>, which suggests from the Persian language translation that there was at least one source of freshwater on the island (Roshandel in Potter, L. and Sick, G. 2002: 138). Regardless of etymology the continued presence of Persians to the region only bolstered Persian claims to the area while Arabian ones were essentially non-existent and only came to front starting from a status of British Empire presence to the region. What is to essentially be gained is that Abu Musa Island has had an extensive history of interaction with Persians hailing from not only islands of the Persian Gulf but also the mainland of what is now Iran. On the converse, there has certainly been less influence and interaction when compared to those of Iran. There is also indeed the question as to why only the Abu Musa Island has been claimed rather than also including the Sirri Island that is only 24 miles away from the former.

The Greater and Lesser Tunb Islands are additional points of dispute between Iran and the UAE. Before delving into the historical associations and interactions of the islands in the waterway, the term “tunb” should firstly be evaluated. “Tunb” or “tonb” is a Middle Persian word denoting a jut of landmass, such as a hill. With reference to an island, it is a jut of landmass stemming from a body of water<sup>156</sup>. The word is still found in topographical names in Iran. Such

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<sup>152</sup> Also known as Abu Dastur in Arabic, although it should be noted that “dastur” is word of Zoroastrian origin, meaning “priest”; indicating a Persian origin for the inhabitants since Zoroastrianism is a religion that did not have followers of Arabian origin.

<sup>153</sup> Mirfendereski, G. (2011). “Abu Musa” in *Encyclopedia Iranica*. Available online: <http://www.iranicaonline.org/articles/abu-musa-bu-musa> (Last Retrieved: November 22, 2013).

<sup>154</sup> Persian for “waterland”.

<sup>155</sup> Persian for “green prairie or green land”.

<sup>156</sup> Mirfendereski, G. (2012). “Tonb” in *Encyclopedia Iranica*. Available online: <http://www.iranicaonline.org/articles/tonb> (Last Retrieved: November, 22, 2013).

examples would be with Tunb-e Seh in Tangestan, Bushehr, Tonbanu on Qeshm Island in Hormozgan as well as Tunb-e Siyak, Tunb-e Jaki, and Tunb-e Bongeru, all found in Bandar Lengeh, Hormozgan (Ibid). There is a claim that supposedly contradicts the Middle Persian usage of the word “tunb” to instead be with reference to the Arabic “tunub”, which denotes “habitat or place of settlement” and is written as well as subsequently pronounced with a harder Arabic letter (ٹ) /tā/ that is absent from the Persian language. However, while the original spelling of “tunb” in Persian was with the harder Arabic letter, it does not address that Middle Persian was written with a separate alphabet used by the Sassanid Persians, who ruled Persia before the arrival of Islam to the Iranian Plateau. Indeed, the etymology of the Tunb Islands is certainly more straightforward than that of Abu Musa Island and is more undeniably rooted in an Iranian context.

Historically, it has been reported that the Greater and Lesser Tunb Islands have been largely uninhabited, partially due to the lack of resources on the island such as freshwater (Ibid). The Lesser Tunb in particular has received less attraction than its counterpart, which did serve as host to deer and gazelle at periods of time that were able to feed on grass patches on the island (Ibid). Additionally, the Greater Tunb seasonally attracted fishermen from both sides of the Persian Gulf, particularly those from the Arabian shores, but was only recorded of doing so from 1864 and was moreover viewed as an antagonizing move against the Al Qasimi tribe hailing from mainland Iran (Ibid). Regardless of however many inhabitants there may or may not have been on the islands, the historical association has been with Iran, just as the Abu Musa Island has, and only experienced claims otherwise from an Iranian-originating tribal confederacy whose influence expanded onto the Arabian Peninsula.

At the time of British withdrawal from all territories east of the Suez Canal, the Trucial Coast found itself positioned for independence (Macris 2010: 156 – 157). On November 30, 1971, before the Trucial Coast formed the federal union of the UAE, the Iranian Navy asserted its position on the Abu Musa and Tunb Islands (Roshandel in Potter, L. and Sick, G., eds. 2002: 138). Despite an agreement between the emirate of Sharjah and Iran, Sheikh Sagar of Sharjah even greeted the Iranian Navy on the Abu Musa Island and even toured the Iranian Artemis destroyer (Figure 4.7), there was little resistance met by armed inhabitants of the Tunb Islands, reportedly being of Ras Al Khaimah backing (Rubin 2002: 44 – 45). The Iranians were ordered to not fire a single shot during the landing and were present in absolute control over all islands

by the end of the day (Roshandel in Potter, L. and Sick, G., eds. 2002: 138). The aftermath resulted in the newly formed UAE labelling the landing of the Abu Musa and Tunb Islands as an invasion. It has been a source of friction between the two countries ever since but Iran has maintained its position on the islands throughout the decades. A MOU was drafted between the two parties with British mediation but after nine years the UAE had brought a case for the islands to be brought into Emirati territory to the United Nations Security Council (UNSC) in 1980 during the Iran-Iraq War, however, the case was dismissed<sup>157</sup>. The UAE additionally attempted bring the dispute before the International Court of Justice, but Iran refused to attend on grounds that it would not put any of its sovereign territory into question or debate as the Abu Musa and Tunb Islands have always belonged to Iran<sup>158</sup>, especially since it never renounced possession of the islands (Ibid; Ehteshami and Zweiri 2009: 103). Moreover, on a number of GCC conferences, collective conclusions have been made that the Abu Musa and Tunb Islands are occupied Emirati territories by Iran and should thusly be returned to the UAE<sup>159</sup>.

For such small islands in the midst of a vast gulf, there is indeed an intense amount of pressure surrounding the issue and begs the question as to why the topic is so problematic. As far as strategic geography is concerned, the Abu Musa Island is positioned close to the mouth of the Strait of Hormuz and also crosses strategic trade routes to the opening (Figure 4.3). The island is also close to other neighbouring Iranian islands, such as Sirri Island. The Greater and Lesser Tunb Islands are both within Iranian maritime boundaries, being close to the shores of the country. Strategic geographic positioning likewise applies as the two are close to the opening of the strait in addition to inbound and outbound channels of the Persian Gulf (Ibid). Certainly, petroleum traffic through and/or close to these areas make the Abu Musa and Tunb Islands coveted spaces in the waterway. Additionally, the Mubarak offshore oil field of Abu Musa Island is also of interest (Figures 4.8 – 4.10). It is suspected of being able to produce between 10,000 to 17,000 bpd (Roshandel in Potter, L. and Sick, G., eds. 2002: 138) but has been reported of

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<sup>157</sup> (No Author Indicated). (2012). "Dispute Resumes Between Iran and the United Arab Emirates over Abu Musa Island" in *Boundary News*. [https://www.dur.ac.uk/ibru/news/boundary\\_news/?itemno=14513](https://www.dur.ac.uk/ibru/news/boundary_news/?itemno=14513) (Last Retrieved: May 3, 2012).

<sup>158</sup> For additional Emirati viewpoints to the Abu Musa and Tunb Islands, see Al Nahyan, K. (2013). *The Three Islands: Mapping the UAE-Iran Dispute*. London: Royal United Services Institute (RUSI) and Mattair, T. (2005). *The Three Occupied UAE Islands: The Tunbs and Abu Musa*. Abu Dhabi: Emirates Center for Strategic Studies and Research. Also published by IB Tauris in London and New York.

<sup>159</sup> (No Author Indicated). (2012). "GCC States Slam Iran Interference in the Region" in *Al Jazeera*. Available online: <http://www.aljazeera.com/news/middleeast/2012/12/20121225233041666942.html> (Last Retrieved: December 26, 2012).



outputting upwards of 60,000 bpd according to Crescent Petroleum, which was the first company to explore and gather oil from the Mubarak field via Buttes Oil and Gas Company, which itself is a subsidiary of Crescent Petroleum<sup>160</sup>. While both countries have prodigious petroleum reserves, making the Mubarak field appear smaller in comparison to other deposits found in Iran<sup>161</sup> and the UAE<sup>162</sup>, the island plus its demarcated surrounding waters are of potentially significant strategic interest as far as geography is concerned. It is in fact from such strategic islands that Iran was able to launch intercepting boats and helicopters to attack the shipping of both Kuwait and Saudi Arabia while also attacking UAE offshore petroleum fields from 1986 to 1988<sup>163</sup>. Iranian payments to Sharjah for oil concessions from the Mubarak field that were a part of the MOU had also ceased by around 1984, most likely as a response not only for the support many Arabian states of the Persian Gulf gave to Iraq during the Iran-Iraq War but the financial drain experienced as well. Crescent Petroleum has since then continued operations on the Mubarak field that have produced over 100 million bbl from its initial operations in 1971<sup>164</sup>.

Resource nationalism seamlessly ties into the dispute over the Abu Musa and Tunb Islands. The components of the framework have each been expressed on all parties involved with the clash. The states of Iran and the UAE have both laid claim to the islands on the basis of sovereignty, meaning for the latter that the Iranian presence on the islands are an invasion onto its sovereign domain while the former sees the islands as a part of its own sovereign territory that was never given up or lost. Consequently, governmental assertions to territories as well as the natural resources surrounding them are tied to the state component. With respect to the state component on the scale of resource nationalism in Iran and the UAE, both countries have implemented and emphasized the component equally. Nationalism therefore is undoubtedly at play with both Iran and the UAE for assertion of ownership over the islands as one views the other as making illegitimate claims to the territories. Especially considering a newly formed UAE, an elemental level of idealism can certainly be seen. The primordial mind-set of the Emiratis though, an approach evidenced through societal components such as rights to

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<sup>160</sup> <http://www.crescent.ae> and [http://www.crescentpetroleum.com/html/mubarek\\_field.html](http://www.crescentpetroleum.com/html/mubarek_field.html) (Last Retrieved: May 3, 2012).

<sup>161</sup> Examples would be the Azadegan and South Pars Gas Field (Figures 4.11 – 4.13).

<sup>162</sup> Examples would be the Zakum and Ghansha (Figures 4.8 – 4.10).

<sup>163</sup> Isenberg, D. (2007). “US Military & Iran – Part 5” in *Cato Institute*. Available online: <http://www.cato.org/publications/commentary/us-military-iran-part-5> (Last Retrieved: May 3, 2011).

<sup>164</sup> <http://www.crescent.ae> and [http://www.crescentpetroleum.com/html/mubarek\\_field.html](http://www.crescentpetroleum.com/html/mubarek_field.html) (Last Retrieved: May 3, 2012).



citizenship, does not support their position and can be dismissed by not only the Iranians but by other onlookers of the international system as well. After all, primordialism is based on continuity of existence and therefore authenticity, but there were certainly instances in which some or all of the islands in question at various points in history were seemingly deserted and therefore depopulated. While this may apparently damage Iranian claims to the islands, the fact remains that the resettlements were consistently from Iranian background and can be argued that while there may have been instances of desertion it would only be due to the lack of resources for sustaining human life for a consistent and continuous period of time. Nonetheless, as far as authenticity by continuity is concerned, the Emiratis undoubtedly are lacking since the country only originated in 1971 and any historical claims to the islands are preceded by Iranian ones. Despite the lack of historical establishment in the area, the UAE continues to assert to a degree that their claims to the Abu Musa and Tunb Islands do have a historical basis extensive enough to possess the islands. With respect to the nationalism component on the scales of resource nationalism in Iran and the UAE, both have high and equal value stresses placed on it.

In terms of nation, according to the definition proposed by Smith (2010: 13), the description is valid and applicable for both Iran as well as the UAE. But, ultimately it is not the strongest exclusive means in which to observe resource nationalism with the Abu Musa and Tunb Islands for the UAE. For example, while there may be a shared history, on various levels the notions of common myths, perceived homeland or territory, as well as common laws and customs for all members will differ and consequently affects the degree of success of utilizing the nation concept. Nationhood can be asserted on grounds of multinational composition though, such as with Iran viewing the cultural communities on its shores as a regional difference of the country facilitated by the change in geography, which is inclusive of multinational coexistence. This approach is repeated on the Arabian side of the Persian Gulf with countries of the GCC, such as with Oman, which possesses a varied geography as well as multinational population base. But this is not applicable to the UAE given that there are guidelines for what in fact constitutes an Emirati, meaning that there is a uniform requisite for national membership. Taking into consideration the makeup and historical associations of the islands, the Emirati claims are again weakened. In short, nation is present in both Iranian and Emirati implementations of resource nationalism in this instance; however the former has a more successful emphasis on the concept while the latter cannot. There is also the element of political referent, which of course is

a factor that is capitalized by the Iranians as it is more so in favour of Iran given that it was not colonized, did not ever lose or give up claims to the islands, and the nation(s) residing on the Abu Musa and Tunb Islands have historically looked towards Iran as a representative political authority. Conversely, while the UAE did not exist prior to 1971 and had political representation by the British prior to its independence, there may have indeed been communities that may have looked towards the Al Qasimi tribal confederacy as the political referent. But it should not be forgotten that the Al Qasimis were of mainland Iranian origin and have themselves looked towards Iran as a political referent, even with the British Empire presence in the Persian Gulf during colonization. Such evidence would be with the concessions of red iron oxide in 1897 being licensed from contractors based in Bandar Lengeh<sup>165</sup>. Furthermore, there was no formal Al Qasimi political authority that was ever established, rather, there were dominions that were later on successive emirates<sup>166</sup> that were divided between factions of the family. The sheer diversity in the Persian Gulf on territories such as experienced with the Abu Musa and Tunb Islands do have a factor of nation as a component of the framework at play, but it is not the most stressed weight on the scale of resource nationalism in both Iran and the UAE.

Rather, ethnicity carries significant weight and is more stressed upon in the usage of resource nationalism, with particular reference to the UAE. One reason that ethnicity would be a more successful concept for the UAE to emphasize would be that there is no necessary requirement for having political referents (Smith 2010: 12 – 13). While it is not necessary for ethnicity to lack political referents, the UAE can interpret the concept of ethnicity in such a manner that it would bolster UAE claims to the islands over its claims using the concept of the nation. This would indeed be able to address the issue of political representation and notation. Additionally, the ethnic community does not need to be in physical possession of a historic territory (Ibid). Given that history will work in favour of Iran over the UAE, this is yet another reason why the ethnic component is more stressed upon. Additionally, recognition of ethnicity does not necessarily require a public culture to be evolved and there also does not necessarily need to be a degree of self-determination. This can work in favour of the UAE since there can arguably be a public culture that exists within the Persian Gulf littoral and there is no real degree of self-determination exercised by the population that inhabited the islands. However, since

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<sup>165</sup> Mirfendereski, G. (2011). "Abu Musa" in *Encyclopedia Iranica*. Available online: <http://www.iranicaonline.org/articles/abu-musa-bu-musa> (Last Retrieved: November 22, 2013).

<sup>166</sup> An example would be Ras Al Khaimah.

ethnic groups are majority Persian, there is already an association that will be inclined towards aligning with Iran. However, the UAE is composed of Iranian groups inclusive of Persians but despite possessing a multi-ethnic society, is not accommodating towards such an identity or admission, which can affect the population on the islands feeling unable to connect with the UAE. Evidence of preference for a single ethnic group in the UAE would be through the Emiratization program, which is effectively equated with being Arab and if not, then one must go through a process of Arabization in order to be considered a member of the group rather than accommodate a multi-ethnic society at the intersection of regional trade routes. Therefore, according to the logic of the Emiratis, if there were any Persians on the island, they were either illegal or invited immigrants and do not have grounds to possess citizenship if they do not have it already. Given that Iran is encompassing of both Arabs and Persians along with many other ethnic groups to be a part of the country, citizenship is accessible without a requisite or preference for a particular group (with no real importance placed on ethnicity). Therefore, while the UAE emphasizes the ethnic component more than the national component, there are many assumptions that are made. Moreover, the Iranian interpretation is more accommodating to a multi-ethnic status.

It should be noted at this point that while the application of resource nationalism to the Abu Musa and Tunb Islands have been on territorial grounds and not hydrocarbons, natural resources are undeniably associated with the islands and are equally pertinent to the review covered. For example, the *de jure* status of the Mubarak field implies that while the Abu Musa Island and designated maritime circumference boundary denotes Iranian possession along with the petroleum reserves, the emirate of Sharjah receives payment from the gathering of oil and gas from the deposit and even carries out operations for extractions<sup>167</sup>. Freshwater and other natural resources, inclusive of land, are of Iranian possession though and have not been dealt through any type of concession, deal, or agreement, such as with the Mubarak field. Also, political recognition should be present when there are sovereign territories and natural resources at stake. While the UAE can argue that control was asserted over the islands by the Al Qasimis, who were a precursor to some of the emirates that were incorporated into the UAE, Iran can in turn note that recognized control was hailing from Iran with a vital point of the 1897 red iron oxide

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<sup>167</sup> <http://www.crescent.ae> and [http://www.crescentpetroleum.com/html/mubarek\\_field.html](http://www.crescentpetroleum.com/html/mubarek_field.html) (Last Retrieved: May 3, 2012).

concessions being highlighted<sup>168</sup>. It can be argued that without such legally binding dealings, the Al Qasimis would not have been able to mine the materials in the first place.

In sum, Iran and the UAE both place a constant emphasis on the notion of the state when utilizing resource nationalism towards the Abu Musa and Tunb Islands (Figure 4.14). Both countries have used governments from mutually recognized sovereign states to lay claim to the territories as well as the natural resources surrounding them, notably the Mubarak field of Abu Musa Island. Nationalism in turn has also run high with both parties placing a great deal of emphasis on the notion (Ibid). The major differences in the application of resource nationalism to the issue would be that while emphasis is placed on ethnicity in the UAE model, it is also placed on the Iranian model as well. A feature of the Iranian model to note would be that emphases placed between ethnicity and nation, given the closeness of definitions of the two concepts, provides the ability to oscillate. This entails that there are equal stresses on the two concepts for the Iranian model to compensate for the occasional vagueness of definitions and can interchange when convenient (Ibid). However, the UAE is unable to perform the same oscillation as Iran given the problematic nature of nation interacting with the country and instead must place more stress on the notion of ethnicity (Ibid).

#### *Intrastate Petroleum Anxieties:*

Aside from the maritime-bound ownership disputes in the Persian Gulf, there are also intrastate petroleum tensions that exist in the case studies as well. Resource nationalism is vividly illustrated throughout the Persian Gulf in this context and the case studies prove fascinating examples.

In Iran, the majority of onshore petroleum reserves are in the south-western province of Khuzestan (Figures 4.11 – 4.13 and 4.15 – 4.18). However, it is also an area in which there is a significant presence of an Arab minority (Ehteshami and Zweiri 2009: 102). While Iran maintains a multicultural identity, there are concerns over continued stability in the province given the tumultuous history of conflict and attempts from Arab countries to undermine Iranian presence in the region. With instances such as calling for a unilateral name change of the Persian Gulf and the Iran-Iraq War, suspicions of international involvement run high. Importantly, Iran

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<sup>168</sup> Mirfendereski, G. (2011). "Abu Musa" in *Encyclopedia Iranica*. Available online: <http://www.iranicaonline.org/articles/abu-musa-bu-musa> (Last Retrieved: November 22, 2013).

views attempts to lessen its influence in the region as a move towards Arabization since there are no other regional players that have ethnic commonalities with the population of Khuzestan aside from the Arab countries. Should there be such a shift in the Persian Gulf, there are indeed security concerns that would be raised with the Arab minority in the province that would have serious repercussions on the Iranian petroleum sector as well as presence in the region, should the area fall under external influence or lose Iranian governmental authority. Moreover, regardless of the commonalities of religion and acceptance into mainstream Iranian identity, there have been calls for autonomy from the province, which have been closely observed and addressed by the Iranian government (Ibid). Correcting the perception of Arabization therefore has been a priority of the country in addition to asserting its multicultural identity without losing any of its population (Ibid). In the south-eastern province of Sistan and Baluchistan, gas fields fall under the majority ethnic group of the Baluch (Figure 4.11), which despite being an Iranian group<sup>169</sup>, is of a separate linguistic background<sup>170</sup> and religious conviction, following Sunnism rather than the dominant Shi'ism of the country. In Sistan and Baluchistan there have been more violent movements and demands for independence than in Khuzestan, with notable instances of the Baluch separatist group Jundullah committing acts of terrorism against the civilian population of Iran<sup>171</sup>. Ethnically, the Baluch are also spread across international borders to neighbouring Pakistan, which likewise has security concerns with its own Baluch population. Organisations such as Jundullah (Ibid) and the Baluch Liberation Army (BLA)<sup>172</sup> have similarly terrorized and committed atrocious acts against civilians in Pakistan as well (Ibid). Ethnic tensions, separatist movements, and terrorism are issues that each in isolation would be concerns for any state to address. However, such traits are seemingly even more exaggerated, such as with Khuzestan as well as Sistan and Baluchistan, with the promise of rapidly accessible natural resource wealth being present. The role of resource nationalism with respect to Iranian intrastate petroleum tensions is straightforward, with all components of the framework being touched

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<sup>169</sup> Spooner, B. (2010). "Baluchistan: Geography, History, and Ethnography" in *Encyclopedia Iranica*. Available online: <http://www.iranicaonline.org/articles/baluchistan-i> (Last Retrieved: March 1, 2011).

<sup>170</sup> Elfenbein, J. (1988). "Baluchistan: Baluchi Language and Literature" in *Encyclopedia Iranica*. Available online: <http://www.iranicaonline.org/articles/baluchistan-iii> (Last Retrieved: March 1, 2011).

<sup>171</sup> Hardy, R. (2010). "Profile: Iran's Jundullah Militants" in *BBC News*. Available online: [http://news.bbc.co.uk/1/hi/world/middle\\_east/8314431.stm](http://news.bbc.co.uk/1/hi/world/middle_east/8314431.stm) (Last Retrieved: March 1, 2011).

<sup>172</sup> (No Author). (2012). "Baluchistan Liberation Army". Available online: <http://web.stanford.edu/group/mappingmilitants/cgi-bin/groups/view/297> (Last Retrieved: November 13, 2013).

upon. It should also be noted that there is additional scope for strains to become even further aggravated.

In Saudi Arabia, petroleum reserves are concentrated in the Eastern Province (Figures 4.1, 4.15, and 4.19). Yet, it is also an area in which there is a significant presence of a Shia minority (Figure 4.20). Given the Saudi Arabian interpretation and manifestation of resource nationalism, there is widespread resentment for the perceived imbalanced receiving of petroleum wealth to the population, particularly in the Eastern Province, in addition to the historical and tribal revulsion for the Al Sauds. There have been a number of clashes with the Shias in the Eastern Province, with notable instances in 2012 being with the targeted destructions of pipeline infrastructure in Qatif and Awamiyah (Ibid). Iranian television initially reported an explosion from an oil pipeline in Awamiyah as well as a fire near an oil pipeline between Awamiyah and Safwa hours after the incidents occurred<sup>173</sup>, but these events were promptly denied by the Saudi Arabian authorities<sup>174</sup>. However, targeted petroleum pipeline attacks did in fact occur and suspicions were raised of foreign influence extending into the country from Iran due to the common religious denomination of Shi'ism being shared with the minority (Figure 4.21). The role of resource nationalism in exacerbating Saudi Arabian intrastate petroleum tensions is obvious, with the Shia population being able to lay claim to natural resources located within their territory for the purposes of ownership and/or control. Moreover, given that religion is a factor that can influence the framework, there is a serious issue for the ruling authority to resolve since the state is defined as an absolute monarchy, which adheres to a particular interpretation of a religion that has many interpretations.

In the UAE, intrastate tensions with petroleum reserves do not currently exist. However, the potential for ethnic tensions to magnify and challenge currently existing norms is staggering. The current oil and gas reserves as well as greater petroleum infrastructure, which is inclusive of pipelines, ports, terminals, refineries, and processing plants (Figures 4.8 – 11, 4.15, and 4.22) are all subject to stability should the currently existing tensions not reach the stage of violent expression. However, populations of the UAE such as *khodmioonis* and Shias can feel discrimination from Emirati society with policies such as the Emiratization program. Eventually,

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<sup>173</sup> <http://www.stratfor.com/situation-report/saudi-arabia-blast-hits-oil-pipeline-eastern-province-report> (Last Retrieved: March 1, 2012).

<sup>174</sup> <http://www.stratfor.com/situation-report/saudi-arabia-officials-deny-pipeline-explosion-reports> (Last Retrieved: March 1, 2012).

tensions can rise to a point in which there would be a contrary move towards resource nationalism such as with the Eastern Province and Saudi Arabia.

Ultimately, in Iran the intrastate tensions with petroleum reserves amount to fears and security concerns rather than serious issues that are crippling or hindering the state. The identity of the population is steadfast in encompassing a multinational, multi-ethnic, and multicultural composition, which addresses all components of resource nationalism soundly. Saudi Arabia though does have a serious issue to address in the country, with special attention to the Eastern Province and the Shia minority that inhabits the immediate area surrounding the petroleum reserves. State identity is not inclusive of the Shias and consequently creates a significant out-group that affects prospects for continued petroleum stability. While the UAE at present does not have any immediate concern to address a tense intrastate petroleum situation, there is a tangible possibility for the country to take a path similar to that of Saudi Arabia, should communities such as the *khodmoonis* and Shias be regarded as out-groups. State identity is vague in the UAE and shifts depending on the emirate as well as economic, social, and religious factors. In short, the absence of immediate tensions does not signify that there will not be a development of them in the future.

### *Resource Wars:*

It is evident that conflict surrounds natural resources. The applications of resource nationalism in the case studies have already implicitly referenced such an observation but have not explicitly evaluated the view. The idea of conflict surrounding and/or over natural resources gained traction in the 1980s with the geopolitical contest between the US and USSR over the control over fuel and mineral deposits in regions such as southern Africa and the Middle East (Le Billon 2012: 12). The term “resource wars” was used to illustrate competition for the possession of natural resources as well as struggles against large-scale resource exploitation actions (Ibid). The term “resource conflict” has also been proposed to understand the case in which conflict occurs over a natural resource for its own sake (Ibid). An integral fundament of resource nationalism is the claim to natural resources for the purposes of ownership and/or control. However, the execution of the claim is subject to amplification and can indeed be gained via conflict and warfare. Hence, resource wars are a relevant notion to resource nationalism, which can facilitate them depending on the interpretation and manifestation of the framework.

Within the case studies, there is a distinct intrastate function that resource wars retain. Iran for example must address tensions and separatist movements in Khuzestan as well as Sistan and Baluchistan. Saudi Arabia deals with its Shia population and the UAE may not currently possess severe petroleum anxieties, but there is always reservation for that to occur in the future. Effectively, when a domestic group lays claim to natural resources in the boundaries of the state for the purposes of ownership and/or control and is willing to conduct warfare in order to achieve the goal of proprietorship, the state will be competing with itself should the internal forces determine that there is no governmental legitimacy over the natural resources. There is also an additional dimension to the geographic landscape of resource wars to consider. For example, in Azerbaijan on the Caspian Sea the government has claimed that all hydrocarbons are property of the state and will be extracted with priority (Karayianni in Akiner *ed.* 2004: 150). The NOC SOCAR was formed to manage the concessions and proceedings of a lucrative contract attracting significant international investments (Ibid). Of course, this comes in conflict to other groups that depend on the Caspian Sea fisheries for their traditional livelihood; such was the case in the capital city of Baku as well as other port cities like Lankaran. While Baku may have acquiesced to the governmental procedures of prioritized petroleum extraction, the port city of Lankaran did not. The south Caucasus port city of Lankaran is also host to the Talysh ethnic group, which are traditionally an agrarian community that depended on the cultivation of the Caspian Sea for economic continuation (Nuriyev 2007: 226). During the initial phase of independence in Azerbaijan as a result of the dissolution of the USSR, the Talysh of Lankaran staged a major secessionist movement in 1993 to form a Talysh-Mugan Republic led by Alikram Humbatov (Ibid: 226). The rebellion ultimately failed and led to Humbatov fleeing to Iran, only to be later extradited to Azerbaijan and imprisoned (Ibid: 226). But the break with the traditional passive lifestyle to outright destructive rebellion is a reminder to the Azeri government that although petroleum can be nationalized via NOCs, the population must also view the proceedings with legitimacy as well or potentially suffer dire consequences. After all, the Talysh occupy strategic Caspian Sea terrain, which can influence oil and gas extractions, trade routes, as well as Azeri maritime integrity. The Caspian Sea experience in Azerbaijan with the Talysh is similarly applicable to all the case studies of the Persian Gulf that share a common history of various nations and ethnicities that have maintained their livelihood off of fishing. The dimensional complexity of multiple natural resources occupying the same space presents a platform for



resource wars. A conflict of interest can arise, which can contribute to or exacerbate currently existing tensions to the point that violence would erupt (Le Billon 2012: 72). While it is unlikely that any of the case studies will experience a secessionist movement based on traditional livelihoods connected to the Persian Gulf, a point can be made on the grounds of perceived imbalanced receiving of petroleum wealth. Traditional livelihoods were eroded in favour of a more efficient manner in which to generate wealth to the state and population. However, should there be a polarization in the distribution of windfall that can be argued to not favour a portion of society; disproportion can foment antipathy (Ibid). Opposition can view natural resources as the means of securing the economic independence of a future state (Ibid). Ethnic groups can also alternatively seek greater access and benefits from natural resources than other groups that compose the state, such as in Iran with the provinces of Khuzestan as well as Sistan and Baluchistan; which do not necessarily constitute secessionist movements in expressing occasional aversion.

The interstate element of resource wars is equally direct in understanding and was the initial setting for the term gaining popularity. Competition over natural resources between states for example could be arguably demonstrated between Iran and the budding UAE over the Abu Musa and Tunb Islands with the Mubarak field at stake. However, interstate conflict over such a small reserve with so many others in the surrounding region seems to be trivial. Yet, the point can be asserted since the quantity of resource(s) is not the matter of question. Another would be with Iran effectively siphoning Iraqi oil via Khor Al Zubayr in the south with a network of domestic Iraqi smugglers<sup>175</sup>. Interstate resource war can also be between states and non-state actors from international boundaries, such as with Iran and the Pakistani Baluch separatist movements. Outside the Persian Gulf region could be seen with the USSR combating the United Front in Afghanistan, where there are significant deposits of rare earth and other precious minerals (Ibid: 109 – 111). Needless to mention, competition and conflict are magnified when dealing with interstate resource wars that have collateral implications for resource security.

However, resource wars are more so a consequence of implementing resource nationalism rather than utilizing the framework. It is a response against the claims a government and/or ethnic group make over natural resources located in a designated territory. After all,

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<sup>175</sup> <http://www.stratfor.com/sample/analysis/special-report-irans-oil-smuggling-network-iraq> (Last Retrieved: January 30, 2012).

should there be no claims of ownership over natural resource deposits there are no parties that will be able to contest over them, which negates conflict.

### *Resource Nationalism as Interstate Warfare:*

The dynamism of the framework does enable it to have other applications to international relations though. A developing and more clandestine usage of resource nationalism would be for conducting interstate warfare. In this sense, warfare is not limited to the physical means of violence but rather other conceptual forms of conflict. This is attractively illustrated between the case studies in the Persian Gulf. The basic structure of resource nationalism from all interpretations and manifestations provide that there are NOCs, of which NIOC, Saudi Aramco, and ADNOC are the largest from each case study. SWFs have also been produced from resource nationalism via NOC wealth that was distributed for the formation of the economic bodies; NDF, SAMA, and ADIA are the largest from each case study. When considering the usage of resource nationalism as interstate warfare, NOCs should be thought of as the mediation or base source of wealth while SWFs would be the investment vehicles. Petrodollars from these bodies are used to influence international relations through key elements such as the promotion of religious ideology, expansion of economic rivalry, political conflict, and proxy warfare.

The promotion of religious ideology is most evidently visible with Iran and Saudi Arabia. On intrastate levels both countries demonstrate extreme implementations of religion in the political systems. Iran predominantly follows Shia Islam and has consequently established itself as an Islamic Republic from 1979, with additionally appointing a religious Supreme Leader as the declarative absolute head of state. While there have been strides towards implementing a democracy in the country, although Iran may not admit to such moves, there are popular elections for the voting of a president. In this vein, it should be mentioned that despite popular procedures that may be in place, Iran remains at best a pseudo-theocratic state. Saudi Arabia in turn is declared to predominantly follow Sunni Islam and has implemented an absolute monarchy with substantial theocratic influence. There is no constitution and is instead adoptive of the Quran as the guide for state rule. Sharia is arbitrarily implemented in both countries, with both possessing disorganized legal systems. When concerning the promotion of religious ideology to other states, Iran has projected its ideas to countries such as Bahrain, Iraq, Lebanon, and Syria. Saudi Arabia has likewise has exported its religious ideology to countries such as Afghanistan,

Indonesia, Malaysia, Pakistan, and Syria. Exportations of religious ideologies can be readily identified in some cases through religious symbols. Commonly found Shia symbols for example would be depictions of the Imam Ali, portraits of Ayatollah Khomeini or Khamenei as well as the Hezbollah figure of Hasan Nasrallah in addition to the flag of the political party. Conversely, a commonly distributed Sunni symbol would be a black flag with a stylized *shahada*. Petroleum wealth generated to NOCs and distributed via SWFs, although less so in the case of Iran due to a weak NDF, assists in the mass dissemination of religious ideology. Charities, mosques, religious schools, scholarships, and other academic institutions are some of the ways in which petroleum wealth has been able to contribute to the promotion of religious ideology from Iran and Saudi Arabia. Resource nationalism therefore is the origin for the assistance of such advancement since it is the core essence of which petroleum in Iran and Saudi Arabia is managed. The NDF may not act as a strong vehicle for investment or the promotion of religious ideology to the international system since it is more occupied with domestic sustainment but NIOC certainly does have a role, especially considering that the Iranian economy has been dependent upon petroleum revenue for decades. In contrast, both Aramco and the SAMA will be more observably tied to any funds distributed for a transaction since Aramco is responsible for the majority of revenue generation in the country and the SAMA is the entity that is responsible for the production of the Saudi Arabian riyal. According to the frame, only SAMA produces Saudi Arabian currency, therefore should there be no SAMA there would be no currency and hence no funding for activities; that is, of course, until an alternative is formed. But until this function has been performed, the logic stands. With the Muslim holy sites of Mecca and Medina coupled in the kingdom for annual pilgrimages, Saudi Arabia has unquestionably had more opportunity to impact the Muslim world than Iran has. Moreover, majority of the Muslims in the world are followers of the Sunni interpretation, with major schools categorized as Hanafi, Hanbali, Maliki, and Shafi'i. But in spite of the immense global influence Saudi Arabia has exerted onto the Sunni world, Shi'ism has also gained traction as well as strategic political influence. Iraq and Bahrain for example are countries in which majority of the population is Shia. But Lebanon is host to Hezbollah in a country that has major populations of Maronite Christians and Sunnis. Similarly, Syrian Alawites lean towards the Shia schools of thought and are currently the ruling authority in the country but have a majority population of Sunnis. Pockets of Shi'ism also exist throughout North Africa, the

Arabian Peninsula, Central Asia, and Southeast Asia; areas of which the majority of followers are Sunni.

Economic rivalry is also prevalent throughout the entire Persian Gulf region, but is exacerbated with resource nationalism and expressed with the economic heavyweights of Saudi Arabia and the UAE. One of the most vivifying instances of competition between the two states would be with the proposed currency unification of the GCC. The regulatory body was to be known as the Gulf Monetary Union (GMU) and to be headquartered in presumably the financial heart of the area. However, the project did not come to fruition with the exiting of UAE from the GMU with the announcement that the financial headquarters would be in Riyadh rather than Abu Dhabi (Antoniades in Kamrava (ed.) 2012: 175). While Saudi Arabia may possess more oil reserves than the UAE, the international business strategy of the latter is certainly enviable. In this vein, another instance would be with the early SWF portfolio diversification of the UAE that was enabling the country to gain considerable international financial presence. Saudi Arabia had the potential and capabilities to perform a similar expansion, however, the conservative reservations to diversify and lack of entrepreneurship contributed to the country becoming a follower in the trend. Projections of further economic growth in the UAE can be attributed to the developing ports in Fujaira that provide an alternative area for Strait of Hormuz reliance. Of course, the entire shifting of the current petroleum trade infrastructure to such ports is unlikely to occur, but the UAE is once again capitalizing and building on something that will prove to have economic benefits. Fujaira ports indeed will attract further international curiosity and investment. In both Saudi Arabia and the UAE, the centripetal role of petroleum wealth and resource nationalism is the foundation and heart in which economic activities are able to be promoted. Iran is the weakest out of the economies and does not participate in the international competition between those on the converse of the Persian Gulf. Rather, the country is constrained and limited to managing its own dire domestic economic matters. Sanctions have certainly taken a toll on Iranian economic competitiveness and even a dynamic of resource nationalism would not be able to enable the country to skirt around them.

Political conflict is existent between all states due to the nature of politics, but is more so intensified with an additional layer of complexity to address. Foreign interference in another state is not a novel historical occurrence. Indeed, petrodollars have been utilized to fund political agenda in the Middle East, such as with Iran supporting the Assad regime in Syria. Other

manpower and services such as military consultants have also been directed to the Levant in an attempt to expand Iranian state influence. However, petrodollars have also been responsible countermeasures, such as with coup d'états, insurgencies, armed resistances, or revolutions. In Syria, Saudi Arabia for example has been responsible for the spreading of extremist ideology such as Sunni radicalism and Wahhabism. There are other players that have also contributed to the training and sustainment of armed rebels in Syria, but Saudi Arabia is a major participant. An interest for Saudi Arabia to support an alternative political agenda in Syria would be that it becomes more anxious with growing Iranian influence in its neighbourhood. In Bahrain, Iran has also supported the move for greater freedoms in the kingdom, albeit simultaneously supporting the common bond of Shi'ism as well. Certainly, a Shia Bahrain would have inclinations to supporting Iranian political agenda more so than others in the Sunni neighbourhood. Similarly, it would be more so in Iranian interests to have a Houthi Zaydi Shia tribe seize power in Yemen, which would likely be inclined to supporting Iranian agenda given the common religious background, and would also greatly antagonize a bordering Saudi Arabia. While the entire credit for interstate political conflict cannot be attributed to resource nationalism alone, the profits generated from oil and gas sales do contribute to parties being able to achieve goals. Such a description signifies that there can also be a functional usage to a degree of the geopolitical expediency form of resource nationalism in which authorities use resources to secure foreign policy objectives (Nurmakov in Overland *et al.* 2010: 20 – 21: 20 – 21). While contracts may not necessarily be highly vulnerable to license revocation, there are indeed objectives that are intended to be achieved.

Proxy warfare, which has been described as when an external power intervenes in a situation indirectly, is visible between all case studies (Mumford 2013: 15). Proxy wars can be fought through multiple means, such as with manpower (Ibid: 61), material like ammunition or military vehicles (Ibid: 63), and non-military assistance like soft power (Ibid: 66 – 67). Bahrain, in this manner, can be viewed as a struggle between the competing external powers of Iran and Saudi Arabia, although the UAE does contribute to a minor extent in the conflict from the PSDF. Syria and Yemen can also be regarded in the same manner as Bahrain as a proxy war between Iran and Saudi Arabia. The aspect resource nationalism takes via the NOCs and SWFs would be through the notion of combating proxy wars with financial assistance (Ibid: 65). The transferred or spent funds to a warring faction in a conflict that are not explicitly for humanitarian or

developmental reasons and can be seen to be for the purposes of a greater strategic motive, then proxy warfare has been achieved and with the bolster of the framework (Ibid).

Essentially, resource nationalism can be concealed or used with stealth in order to engage in interstate warfare. The term “warfare” extends beyond conventional understanding to be inclusive of more creative means, such as economic warfare. Resource nationalism has led and is currently propelling greater Persian Gulf competition, which is particularly evident between the case studies. It is also a catalyst to militarization because states do require a certain degree of protection and capabilities for the safeguarding of natural resources since the materials have been previously attacked, such as with the Kuwaiti oilfields during the Persian Gulf War, or underhanded when nationalization of them occurs, namely during the Mossadegh period in Iran. Indeed, the dynamic usages of resource nationalism extend far into international relations and have the potential to impact areas outside of its domestic implementation.

There is of course the notion of sustainability of regional influence to address with the case studies given that energy prices fluctuate and consequentially the degree to which a country can project capabilities can also be affected. For example, Iran maintains influence in Syria through a number of hard and soft power avenues that is bolstered with funds generated from natural resource sales. However, should there be factors such as a decline in demand or economic sanctions, the financing of operations can be affected. At the current level of energy prices, sustainability into the distant future in this case does not seem likely. Similarly, this model applies to influence exerted by Saudi Arabia and the UAE.

### *Militarization of the Persian Gulf:*

Natural resources have many characteristics that shape the patterns of conflict and violence (Le Billon 2005: 2). Such properties include the ability for the materials to provide wealth, energy, and sustainability. Often, energy and security as themes entail a degree of militarization, even at the most superficial of levels. Resource nationalism can be viewed as a stimulant for militarization and is particularly relevant with the case studies. Additionally, there would be a need for militarization in the Persian Gulf regardless of the framework but resource nationalism has acted as facilitator for the activity.

*Resource Nationalism as a Catalyst to Militarization:*

The framework follows logic that if there is resource nationalism then there are natural resources. If there are natural resources then there can be militarization. Consequently, if there is resource nationalism there can be militarization. When applied to the Persian Gulf, the first premise has already been established. The second premise then needs to be confirmed, whether there is a positive correlation between natural resources and militarization or not. Competition over ownership to contested natural resources is one reason why the military option would seem attractive. Between Iran, Saudi Arabia, and the UAE there is certainly competition for militaristic capabilities. Rentierism that is existent in all the case studies inclines the countries to seek foreign suppliers to source the armed forces for land forces, airpower, and naval power. All countries have advanced their equipment to varying degrees that reflect on state defence strategy as well as for the future safeguarding of natural resources. Before delving into some details of Persian Gulf military development, it should be noted that all purchases, research, development, and production occurs with the backing of natural resource revenue generated by the interpretations and manifestation of resource nationalism in each case study. In this vein, it should be mentioned that Saudi Arabia and the UAE are members to some of the largest importers of foreign hardware in the world, which exemplify the rentier status of purchasing all the equipment desired for defence (Figure 4.23).

Iran though uses a different strategic approach for militarization since sanctions have prevented the country from receiving high-tech foreign gear. Prior to the international sanctions though, Iran was equipped with a large and impressive military during the period of Mohammad Reza Shah but went into decline following the 1979 revolution. Yet, with the US military tactically positioning military bases around Iran, the country felt pressured into developing its own equipment in an attempt to become self-reliant for at least defence capabilities. The bid for resurgence additionally connoted that Iran would need to develop a change in strategy for engagement since a brutal war with neighbouring Iraq had taken a severe toll on the Iranian military standing and population. Light arms manufacturing led to heavier industries and eventually to the missile productions<sup>176</sup>. A spike in Iranian investment to the local industries for military production led to a development of the domestic military sector. Some of the major

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<sup>176</sup> <http://www.globalsecurity.org/military/world/iran/weapons.htm> (Last Retrieved: December 20, 2013).

companies producing Iranian equipment would be the Defence Industries Organisation (DIO)<sup>177</sup>, Iranian Aircraft Manufacturing Industrial Company (HESA)<sup>178</sup>, and the Iranian Space Agency (ISA). However, while the domestically produced Iranian equipment is nowhere near the superiority of its Western counterparts, the point of self-defence capabilities and reliance has been asserted. Military industrialization has begun to occur in Iran and each year subsequent productions and newer generations of equipment appear. But, it should be noted that there are cases in which the Iranian media has falsely reported on the progression of the domestic industry, notably with the embarrassing release of the Qaher-313 stealth fighter jet that was revealed to have been state-sponsored fabrication<sup>179</sup>. Additionally, while tests conducted on missile development may have been successful, such as with the Bina rocket, other tests have been revealed to have been exaggerated<sup>180</sup>. Moreover, the future of Iranian missile development has been potentially affected by influencing the scientific methodology of verifying tests with the manipulation and denial of consistent access to solid fuel rocket components like powdered aluminium<sup>181</sup>.

Saudi Arabia alternatively is not subject to international arms sanctions and is one of the largest importers of foreign weaponry and related systems in the world (Figure 4.23). Significant purchases peaked in Saudi Arabia between the 1980s and 1990s with the Al Yamamah arms deals delivering equipment such as the combat helicopters, missiles, Tornado jetfighters, and other military vehicles<sup>182</sup>. The aforementioned series of deals is of particular significance since it specifically details that Saudi Arabia in exchange for arms will supply oil<sup>183</sup>. There have been reports that Saudi Arabia has shipped upwards of 600,000 bpd to the UK in order to fulfil contractual obligations. BAE Systems alone is reported to have profited over \$70 billion USD from the 1980s to 2006 over the arms deal and has stated that it would be able to profit over

<sup>177</sup> <http://www.globalsecurity.org/wmd/world/iran/dio.htm> (Last Retrieved: December 21, 2013).

<sup>178</sup> <http://www.hesa.ir/> (Last Retrieved: March 3, 2011).

<sup>179</sup> McDermott, K. (2013). "Iran's 'Fake' Fighter Jet Which Experts Say Can't Fly is Spotted in the Air (With a Little Help From Photoshop)" in *The Daily Mail*. Available online: <http://www.dailymail.co.uk/sciencetech/article-2277412/Fake-stealth-plane-Irans-Photoshopped-fighter-jet-spotted-air.html> (Last Retrieved: February 12, 2013).

<sup>180</sup> (No Author Indicated). "Iran Faked Missile Test Image" in *BBC*. Available online: [http://news.bbc.co.uk/1/hi/world/middle\\_east/7500917.stm](http://news.bbc.co.uk/1/hi/world/middle_east/7500917.stm) (Last Retrieved: July 3, 2009).

<sup>181</sup> (No Author Indicated). (2012). "Iran: Sanctions Halt Long-Range Ballistic-Missile Development" in *Strategic Comments*. Available online: <http://www.iiss.org/en/publications/strategic%20comments/sections/2012-bb59/iran--sanctions-halt-long-range-ballistic-missile-development-47a2> (Last Retrieved: July 12, 2012).

<sup>182</sup> <http://www.sipri.org/publications/test/trends/gulf/at/SA> (Last Retrieved: August 7, 2013).

<sup>183</sup> (No Author Indicated). (1999). "Arms Sales Fuel BAe's Profits" in *BBC*. Available online: [http://news.bbc.co.uk/1/hi/business/the\\_company\\_file/285963.stm](http://news.bbc.co.uk/1/hi/business/the_company_file/285963.stm) (Last Retrieved: August 10, 2013).



another \$70 billion USD from subsequent deals<sup>184</sup>. After a period of relaxed military purchasing, there are once again signals of future procurements. This is not to say that Saudi Arabian purchases were of less significance in quality but rather that the quantity was less. In 2013, multi-billion USD deals for the delivery of Eurofighter Typhoons were being discussed<sup>185</sup>. In spite of large foreign purchases though, the domestic military production capabilities are deficient. In the 1970s there was a joint attempt with Egypt, Qatar, and the UAE to establish an industrialization organisation that was to combine Arabian Peninsula petroleum revenue with Egyptians to create an arms industry that would be mainly based in Egypt<sup>186</sup>. However, the 1979 Egyptian peace treaty with Israel cemented the ultimate failure of the project (Ibid). Later, small arms manufacturing facility was set up in Al Kharj to produce light weapons as well as ammunition under license (Ibid). Following upgrades in air defence systems into the 1990s, Saudi Arabia was still reliant off of foreign arms suppliers (Ibid). A lack of skilled labour, technical expertise, and an overall shortage of capable manpower coupled with uncommitted attempts at producing a self-reliant domestic military industry hindered any real development of the sector and keeps the country even more so reliant on foreigners. Moreover, the Saudi Arabian military has focused its efforts into developing a conventional military with orthodox capabilities, which may not be the best means in which to engage mobile guerrilla forces that operate in the region. Regardless, all purchases made for military equipment in Saudi Arabia have substantial funds generated from the interpretation and manifestation of resource nationalism.

The UAE, following in a similar pattern as Saudi Arabia, has purchased an impressive arsenal in the past decade<sup>187</sup>, including shipments of advanced unmanned aerial vehicles (UAVs) such as the Predator<sup>188</sup> and multirole jetfighters that include the F-22 Raptors<sup>189</sup> from the USA.

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<sup>184</sup> Leigh, D. and Evans, R. (No Year Indicated). "Secrets of Al-Yamamah" in *The Guardian*. Available online: <http://www.theguardian.com/baefiles/page/0,,2095831,00.html> (Last Retrieved: August 10, 2013) and Leigh, D. and Evans, R. (2007). "BAE Systems" in *The Guardian*. Available online: <http://www.theguardian.com/world/2007/jun/07/bae.baesystemsbusiness> (Last Retrieved: August 10, 2013).

<sup>185</sup> Sutherland, R. (2013). "BAE Systems Close to Multi-Billion Typhoon Deal as Profits Dip" in *The Daily Mail*. Available online: <http://www.dailymail.co.uk/money/markets/article-2382767/BAE-Systems-close-Saudi-multi-billion-Typhoon-deal-profits-dip.html?ITO=1490> (Last Retrieved: August 1, 2013).

<sup>186</sup> <http://www.globalsecurity.org/military/world/gulf/sa-production.htm> (Last Retrieved: August 1, 2013).

<sup>187</sup> Carvalho, S. (2013). "UAE Signs \$1.4 Billion, Including Drones". Available online: <http://www.reuters.com/article/2013/02/18/us-emirates-drones-idUSBRE91H0AY20130218> (Last Retrieved: February 18, 2013) and <http://www.sipri.org/publications/test/trends/gulf/at/UAE> (Last Retrieved: August 7, 2013).

<sup>188</sup> Jones, R. (2011). "UAE to Buy Predator Drones" in *The National*. Available online: <http://www.thenational.ae/business/technology/uae-to-buy-predator-drones> (Last Retrieved: July 21, 2012).

While the fleets and purchases may be smaller in size than in Saudi Arabia, the UAE is a smaller country with a smaller population. Nevertheless it still remains one of the largest importers of foreign equipment (Figure 4.23) and is projected to rise even further with additional orders<sup>190</sup>. In 2005 the UAE finalized a \$15 billion USD decade-long program that was designed to upgrade its military and defence capabilities<sup>191</sup>. The same year, a new delivery of F-16E/F Desert Falcons arrived, which was the first instalment of a \$6.4 billion USD contract (Ibid). In 2010 and 2011 the UAE raised its defence budget up to \$14 billion USD in the positive trajectory for state military spending (Ibid). But with many deliveries of high tech equipment coming to the Emirates, it should be noted that the UAE does not purchase every piece of equipment that is available within its defence budget. For example, in 2013 a multibillion USD contract for the acquisition of Eurofighter Typhoons was rejected<sup>192</sup>. While the Typhoon is a modern aircraft to possess, the UAE felt that it was ultimately unnecessary as an addition to the air fleet. There has been speculation that the deal collapsed on the basis that there were schismatic political differences between the UAE and the UK, with the latter apparently not taking a stance firm enough on the nuclear program in Iran in addition to being reluctant on intervening in Syria (Ibid). However, it could also be that the defence strategy of the UAE would not be coinciding with the proficiencies of the aircraft. It could also be that the UAE would prefer to reserve the monies for alternative developments, such as with the domestic military production sector. Developments at present include medium-range UAVs, namely the Yabhon series from ADCOM Systems in Abu Dhabi<sup>193</sup> that are primarily used from reconnaissance but are projected to eventually be able to be outfitted with missiles that can deliver payloads. Strata, also based in the UAE, is an aerostructure manufacturing plant that is entirely owned by MDC, which has established partnerships with leading aerospace companies to expanding its operations from Abu Dhabi to Al Ain with an initial contract of \$1.3 billion USD<sup>194</sup>. Caracal is another noteworthy

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<sup>189</sup> <http://www.thenational.ae/news/world/middle-east/iran-complains-at-us-f-22-fighter-jets-in-uae> (Last Retrieved: May 2, 2012).

<sup>190</sup> <http://www.globalsecurity.org/military/world/gulf/uae-mil.htm> (Last Retrieved: August 1, 2013).

<sup>191</sup> <http://www.globalsecurity.org/military/world/gulf/uae-mil.htm> (Last Retrieved: August 1, 2013).

<sup>192</sup> Blair, D. (2013). "Britain's Ambitions in the Gulf Suffer Blow as UAE Rejects Typhoon Deal" in *The Telegraph*. Available online: <http://www.telegraph.co.uk/news/worldnews/middleeast/10531706/Britains-ambitions-in-the-Gulf-suffer-blow-as-UAE-rejects-Typhoon-deal.html> (Last Retrieved: December 20, 2013).

<sup>193</sup> <http://www.adcom-systems.com/ENG/UAV/YAHBON-United40/Overview.html> (Last Retrieved: August 7, 2013).

<sup>194</sup> <http://www.globalsecurity.org/military/world/gulf/uae-industry.htm> (Last Retrieved: August 1, 2013) and <http://www.strata.ae/web/en/> (Last Retrieved: August 1, 2013).

company in that it is the first light arms manufacturing company in the UAE and the first established foundation for the production of advanced light arms in the GCC<sup>195</sup>. Other domestic companies in addition to the aforementioned seem to illustrate the UAE strategy for economic diversification. The defence products are moreover regularly showcased at the prestigious International Defence Exhibition (IDEX) in Abu Dhabi, which is one of the largest exhibitions of its kind in the world and attracts a sizeable international clientele. It seems that the UAE is more concerned with economic progression rather than projecting an international military presence. Strike and defence capabilities are present, but not extremely aggressive in either standing. The monies used for the military purchases as well as domestic developments are rooted in petrodollars from the interpretation as well as manifestation of resource nationalism. Indeed, even SWF products of the framework have become involved as evidenced by the relationship between MDC and Strata.

While the influence of resource nationalism in all the military budgets and local sector developments of the case studies has been covered, it seems that the catalyst role of the framework can be further elaborated. Essentially, in the Persian Gulf resource nationalism created a stimulus for Iran to become self-reliant for its military production, especially as a result of international sanctions. Petroleum funds were directed to the military for conserving the integrity of the state, which led to the development of the Iranian military industry. Saudi Arabian resource nationalism in turn enabled the kingdom to vie for power with its own defence capabilities and prompted other countries to capitalize on their interpretation and manifestation of the framework as well, namely the UAE. While critics may argue that such actions can be attributed to a realist lens and explained as arming the state because others are doing so or that there is a Persian Gulf arms race, but this an oversimplification of the matter and disregards crucial components to the militarization of the case studies. It is without question that should resource nationalism have been absent then the region militarizing could not have taken the same path since the petrodollars would have been managed more so by foreigners since NOCs arose out of an implementation of the framework. Thusly, there would have been a reduction in the profitability of the petroleum revenues directed towards the central government, which would have greatly abridged its spending capabilities. Militarization may not therefore have been able to occur, since the amount of monies needed to do so would have been too much for the state

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<sup>195</sup> <http://www.caracal.ae/new/> (Last Retrieved: December 20, 2013).

since all the case studies have been heavily reliant in a rentier fashion on natural resource windfall. Any funds earned would have likely spent on the sustainment and continuation of the state rather than defence purposes. Certainly, without resource nationalism the scale of purchases would not have been a viable option for any of the case studies. In sum, militarization can occur when natural resources are present but is dependent on the geopolitical situation. Between Iran, Saudi Arabia, and the UAE, militarization was prompted by resource nationalism, which facilitated the region to begin its shift towards a more protected area.

*Resource Nationalism and the Inherent Need for Militarization:*

Resource nationalism also entails that there is an intrinsic need for a degree of militarization given that states, nations, and/or ethnic groups reserve the potential to claim natural resources and could active seize the resources without resistance, should there be no protection over the commodities. In this vein, natural resource stability can be subject to volatility, which in the case of oil and gas can be reflected in high prices. In the Persian Gulf, there are impressive deposits of petroleum that do not necessarily have the sufficient degree of security necessary to safeguard the materials. It should also be mentioned that there is only a theoretical boundary in the waterway that separates one side of the littoral and its natural resources from the other, which can certainly be violated, especially if one side is severely deficient in defence capabilities when the other is not. Competition over ownership and the ability to assert control over the claims of ownership as well as protect it against others are key drivers for eventual militarization.

A vivifying example of the need for militarization would be with Iran. The country is already surrounded by US military bases (Figure 4.24), which is reason enough for Iran to ramp up military capabilities in case the former ally chose to expand influence into the country. After all, the neighbouring countries to Iran of Afghanistan and Iraq have already been assaulted, which have undoubtedly raised fears in the country to increase its martial presence. However, the upsurge has also escalated Iranian influence in the Persian Gulf over the oil and gas reserves as well as shipping lanes through the Strait of Hormuz. The US and UK have increased presence around the strait as a result of Iranian threats to disrupt lane passages and petroleum shipments (Figure 4.25) but there are indeed Iranian strike capabilities that should be realized. One geographic point of interest would be at the mouth of the strait off the village of Kuhestak where

there is a strategic battery of HY-2 missiles that could be used to attack personnel (Figure 4.26). Closer inspection reveals that aside from launch pads there are a number of alert and hardened shelters, firing stations, as well as support and acquisition sections that are prepared to not only deliver payloads but receive retaliation as well (Figure 4.27). The site was already active during the time of the Iran-Iraq War but was not utilized at the time since Iran believed that it would not be able to withstand an American assault with the remains of the limited equipment it had rationed for the during of its ongoing conflict with Iraq. However, Iranian missile developments and the paradigm shift in engagement tactics to be more in terms of asymmetric warfare have changed the dynamics of a potential confrontation.

The backdrop of the Persian Gulf islands since the Iran-Iraq War has also changed dramatically in tandem with the Iranian military developments and alteration in strategy. The Abu Musa Island has been heavily modified with fortifications between 2006 and 2010 (Figures 4.28 – 4.39). The abandoned Skyguard system and HAWK batteries saw a reactivation (Figures 4.28 – 4.31). Another adjustment would be the creation of geographic hindrances such as multilane dugouts with high-terrain firing positions for the local operatives in case of an amphibious assault (Ibid). Additional defences on the island include D-30 howitzers, 23 and 35 millimetre (mm) anti-aircraft artillery (AAA) stations, tanks, hardened bunkers, and anti-ship missile (AShM) launch pads (Figures 4.32 – 4.37). The amount of bunkers on the island may be inflated though via satellite imagery to give the illusion that there are more capabilities present on the island (Figure 4.38) but this factor does not change the view that the Iranians are increasing their entrenchment on the island. While the gunshot ranges of the D-30 and 155 mm form a barrier around the island (Figure 4.39), the AShMs pose a greater threat. If HY-2s for example were to be positioned on Abu Musa, all of the UAE ports would be at risk<sup>196</sup>. The Greater Tunb Island is outfitted with guard posts and a cement wall encircling the entire island, save for a select number of entry points (Figure 4.40). There are also D-30 howitzers, 23 mm AAA stations, hardened shelters, and possibly even underground facilities that would buttress the area against an attack as well (Figures 4.41 – 4.43). The Lesser Tunb Island has taken an airstrip that runs through the top of the island and additionally constructed a military bunker complex to support the current D-30 howitzers and 23 mm stations already in place, further reinforced by

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<sup>196</sup> Isenberg, D. (2007). "US Military & Iran – Part 5" in *United Press International*. Available online: <http://www.cato.org/publications/commentary/us-military-iran-part-5> (Last Retrieved: December 1, 2012).

hardened shelters and bunkers (Figures 4.44 – 4.48). Already, shipping lanes that cross through these islands would be subject to petroleum transportation disruptions, even with international interference to prevent such an action from occurring. Further reinforcement of the archipelago also is present on nearby Sirri Island, which in common form has been outfitted with communications towers, AA weaponry, 23 and 35 mm calibre stations, a Skyguard, and hardened bunkers (Figure 4.49 – 4.55). Closer to the mouth of the strait would be Qeshm Island, which is the largest of the Iranian islands in the waterway. Air defence systems, a naval base, and two launch zones paired with the commonalities inclusive of AAA sites, hardened shelters, AShM revetments, and 23 mm stations (Figures 4.56 – 4.60). The special features of Qeshm to note aside from its size and proximity to the strait would be the launch zone that is positioned behind a hill, which signifies that there must be a presence of independent targeting stations in order to not be impeded by the steepness of the hill (Figures 4.61 and 4.62). Off the coast of Qeshm would be Larak Island, which additionally possesses all the shared equipment on the rest of the archipelago, with a strategic placement of AAA sites and AShMs close to the mouth of the strait that could alone affect trade (Figures 4.63 – 4.67).

Strategic deployments in mainland Iran have also changed the theatre of potential conflict. A select arsenal of foreign-supplied missiles stationed around the country would be the HQ-2s, HAWKs, S-200s, 2K12s, and Tor-M1Es (Figure 4.68). The S-300 launchers or similar create a defence buffer that extends over the median division of the Persian Gulf (Figure 4.69). However, the S-300s have reportedly not been supplied to Iran from Russia as a result of the sanctions<sup>197</sup>. Yet, the Iranians claim to have made a domestic variant of the S-300 called the Bavar-373<sup>198</sup>. While the production of a launcher could be possible, it is the software of the S-300 system that makes it formidable, which is also a detail that is not commented on by the Iranians. S-400s and similar launchers have not been banned for export by the Russians as of yet and could extend further over the median line to include every country in the GCC within its striking distance (Figure 4.70). Within the case studies the onshore oil fields and pipeline infrastructure in Saudi Arabia would be subject to particular risk in addition to the fields and pipeline infrastructure of the UAE. The mobility of the S-300s and S-400s as well as the setup time make such launchers a potential risk for the GCC and petroleum trade. Other domestically

<sup>197</sup> (No Author Indicated). (2010). “Kremlin Bans Sales of S-300 Missile Systems to Iran” in *BBC*. Available online: <http://www.bbc.co.uk/news/world-europe-11388680> (Last Retrieved: September 27, 2010).

<sup>198</sup> <http://www.globalsecurity.org/military/world/iran/bavar-373.htm> (Last Retrieved: December 20, 2013).

produced series of missiles would be the short-range ballistic missiles (SRBMs)<sup>199</sup> such as the Zelzal-1 and Zelzal-2, medium-range ballistic missiles (MRBMs)<sup>200</sup> such as the Sejil and Ashoura, and intermediate-range ballistic missiles (IRBMs)<sup>201</sup> such as the Shahab-5 and Shahab-6 pose subsequent concerns<sup>202</sup>. Such missiles<sup>203</sup> could be used to disrupt shipping in the Strait of Hormuz with Iran being able to fire onto tankers, trade vessels, and other naval ships<sup>204</sup>. Other asymmetric means of engagement would be using rapid patrol and naval attack craft as well as midget submarines (Ibid). The islands have been used in the past to intercept Kuwaiti and Saudi Arabian shipping and UAE offshore platforms, which also means that the further modifications to the archipelago since 1988 would mean that it could be done again but with increased devastation (Ibid).

The assault and defence aptitudes that enable Iran to assert its claims and control over natural resources in the Persian Gulf have not gone unchallenged by its neighbours though. Should the country have been unopposed then the theatre of the waterway would indeed have taken a different contour. The case studies of the GCC have particularly invested sizeable funds in their defence capabilities that simultaneously enable them to assert control over claimed natural resource reserves. Without a proper defence in place, both Saudi Arabia and the UAE would be vulnerable. While the strategies of the two are more in conventional terms than Iran, engagement is certainly deterred with the developments in place.

In terms of counterattacking any potential missile strikes from Iran with analogous ballistic missile defence (BMD), Saudi Arabia has established notable sites at Al Watah (Figure 4.71), Al Joffer (Figure 4.72), and Al Sulayyil<sup>205</sup> (Ibid). All complexes possess at least DF-3A MRBMs (Figure 4.73), which are likely downgraded models<sup>206</sup> (Figure 4.74). While the DF-3As are not very accurate they nonetheless are substantial enough, even in relegated format, to create

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<sup>199</sup> SRBMs have a range of up to 1,000 km.

<sup>200</sup> MRBMs have a range of 1,000 to 3,000 km.

<sup>201</sup> IRBMs, also known as long-range ballistic missiles, have a range of 3,000 to 5,500 km.

<sup>202</sup> <http://www.globalsecurity.org/wmd/world/iran/solid-prop.htm> (Last Retrieved: November 17, 2012).

<sup>203</sup> For further analysis, see (No Author Indicated). (2010). *Iran's Ballistic Missile Capabilities: A Net Assessment*. London: IISS.

<sup>204</sup> Isenberg, D. (2007). "US Military & Iran – Part 5" in *United Press International*. Available online: <http://www.cato.org/publications/commentary/us-military-iran-part-5> (Last Retrieved: December 1, 2012) and for further information on Iranian ballistic missiles, see (No Author Indicated). (2010). *Iran's Ballistic Missile Capabilities: A Net Assessment*. London: IISS.

<sup>205</sup> <http://www.globalsecurity.org/wmd/world/saudi/al-sulayyil-imagery.htm> (Last Retrieved: December 1, 2013).

<sup>206</sup> Urban, M. (2013). "Saudi Nuclear Weapons 'On Order' From Pakistan" in *BBC*. Available online: <http://www.bbc.co.uk/news/world-middle-east-24823846> (Last Retrieved: November 27, 2013).



a daunting defence. Also, training and familiarity with the operations of a missile defence can be provided (Figure 4.75 and 4.76). Al Sulayyil is of particular interest because of its operational capacities stretching back through to the late 1980s and possesses the capacity to expand its batteries to include more devastating hardware<sup>207</sup> (Figures 4.77 – 4.79). The current layout of the site has not changed in some time, which signifies that it is already at a fully developed stage (Figure 4.80). The Al Joffer complex north of Al Sulayyil is of a similar structural plan to the latter, which included hardened bunkers, administrative and support facilities, as well as a launcher (Figure 4.81). The strategic positioning of Al Joffer in the heartland of Saudi Arabia makes the site a geographically central defence complex. Another interesting site would be Rawdah, which is underground and has two garrisons with a number of hardened bunkers reinforcing the launchers (Figures 4.82 – 4.84). The UAE has also taken strides to develop a formidable missile defence system and in 2008 purchased advanced Patriots and related support services for the system, which is an upgrade from the previous HAWK systems<sup>208</sup>. As a result of the Iranian threats over the Strait of Hormuz, the UAE was prompted to purchase additional missile systems amounting to nearly \$3.5 billion USD (Ibid). It was also the first country out of the USA to acquire the coveted Terminal High Altitude Area Defense (THAAD) system, which were agreed to be sold at nearly \$4 billion USD<sup>209</sup>. The shield developments and quantity of missiles in the UAE are far less than in Iran and Saudi Arabia, but the quality is ultramodern. Capabilities for the Arab countries therefore are present but not able to be entirely preventative of a potentially successful attack from the Iranians. After all, even the Iron Dome deployed in Israel is unable to intercept all the Fajr-5s fired from Palestinian territories<sup>210</sup>.

The armament of the Abu Musa and Tunb Islands demonstrate a pragmatic notion of applying militaristic backing to the claims of resource nationalism. With the Mubarak field, the Iranians would be able to cut off petroleum supplies to the UAE and the risk of retaliation at present would be more costly to the Emiratis. Therefore, if the UAE would desire to take the

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<sup>207</sup> Bergman, R. (2002). “El-Sulayil Missile Base Saudi Arabia” in *Yehidot Ahronot*. Available online: <http://www.globalsecurity.org/org/news/2002/020327-saudi.htm> (Last Retrieved: October 17, 2010).

<sup>208</sup> Habboush, M. and Stanton, C. (2008). “UAE Seals Deal for Patriot Missiles” in *The National*. Available online: <http://www.thenational.ae/news/uae-news/uae-seals-deal-for-patriot-missiles> (Last Retrieved: March 24, 2010).

<sup>209</sup> <http://lockheedmartin.com/us/news/press-releases/2013/september/mfc-092313-lm-receives-thaad.html> (Last Retrieved: November 6, 2013).

<sup>210</sup> (No Author Indicated). (2012). “Iron Dome: A Double-Edged Shield?” in *IISS Voices*. Available online: <http://iissvoicesblog.wordpress.com/2012/11/23/iron-dome-a-double-edged-shield/> (Last Retrieved: November 23, 2012).



field by force, it could attempt to do so but would not be able to succeed without at least assuming a heavy burden of costs. Hence, the backing to resource nationalism from Iran over the Mubarak field is more resilient than that of the UAE. However, the UAE is not unprotected over its own natural resources and is able to defend itself from a potential asymmetric attack by Iran as well as other forces. This similarly applies to Saudi Arabia.

Militarization occurring in the Persian Gulf as a result of resource nationalism does not necessarily signify that the process is negative of a destabilizing nature. Rather, the region inclusive of the case studies is upgrading its defences that can result in stability. In order for a steady, controlled, and regulated global output of pivotal natural resources such as oil and gas, it is in the interests of the international system to have a more stable Persian Gulf. In this manner, unpredictable shocks to petroleum prices are less likely to occur. The militarization of safeguarding natural resources has been described in a broad sense as “the growing inclination of energy producers and consumers to base decisions about their behaviour in global energy markets on political and strategic calculations as well as on commercial and economic considerations,” (Leverett in Moran and Russell 2005: 211). With the prodigious amounts of natural resources in the waterway and only a theoretical line running a median, there is a chaotic atmosphere present that does require strategic decision-making. Indeed, there is latitude for slant piping operations, disruptions, and disputes to occur. After all, hydrocarbons and pipelines whether protected or not are soft targets and with the presence of a chokepoint, tensions will undoubtedly increase in a multistate littoral. Therefore, it is only logical to militarize and has been brought to vivification as a result of the interpretations and manifestations of resource nationalism.

#### *Armed for Prosperity:*

At present, Iran has growingly been forced to become more independent in its military production as a result of international sanctions. There have been notable developments with missile production, drones, and a shift in engagement strategy to focus on asymmetric and unconventional warfare capabilities rather than conventional. The country is surrounded by US military bases and allies, which undoubtedly has prompted Iran to develop its domestic arsenal or face the consequences of a potential invasion similar to bordering countries of Afghanistan in 2001 and Iraq in 2003. Saudi Arabia has created a massive arsenal, which includes future

contracts worth billions of USD. However, the rentier status of the kingdom in addition to its access to international markets coupled with petroleum funds, the country has not produced any domestic military research or production. The UAE similarly has amassed a sizeable arsenal, with advanced drones such as the Predators and ultramodern fighter jets such as the F-22 Raptors. Again, the UAE like Saudi Arabia has access to international markets and has purchased its equipment from abroad. While there may be small-scale production for firearms, notably with Caracal<sup>211</sup>, and drone production with ADCOM Systems, none of the engineers or researchers is of Emirati origin and remains reliant on foreigners to research as well as produce the products. Larger capabilities are required in order for the country to have comprehensive production. But, there is potential for the domestic UAE defence industry to do so. The UAE also seems to be willing to adjust strategy to become more mobile with the introduction and activation of the THAAD system. With the developments that have already occurred and the economic as well as political directions of the Persian Gulf, expansion of capabilities from all parties is a logical future to infer and forecast.

The militarized stances of the countries address security concerns such as the current petroleum transportation infrastructure that is already vulnerable. Robert Ebel of the Centre for Strategic and International Studies (CSIS) observed in 2003 that, “Pipelines are very soft targets... They’re easy to go after. It doesn’t take a rocket scientist to figure out where you can do the most damage, both physical and psychological, with the minimum amount of effort.” (Klare in Moran and Russell 2009: 46). He continues, “... the production and transport of oil will become even more dependent on an infrastructure that is already vulnerable... [therefore] the need to protect the production and transportation infrastructure will grow [as well]. Infrastructure and asset protection, or the physical protection of refineries, pipelines, loading facilities, offshore fields, and sealines of communications; regime protection, or military support for governments that facilitate the export of their country’s oil reserves to foreign markets; and access assurance, or military moves intended to ensure uninterrupted access to key oil-producing regions, such as the Persian Gulf,” (Ibid: 47). Following this, indeed there was a rise in security and to ensure that capabilities were known, military exercises from Iran, Saudi Arabia, and the UAE were all conducted at varying points during the year to demonstrate combat readiness. Despite the showcasing, the case studies are unwilling to engage in direct state versus state warfare. This has

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<sup>211</sup> <http://www.caracal.ae/new/> (Last Retrieved: December 20, 2013).

contributed to the region and natural resources reaching a point of increased stability, no matter the aggressive rhetoric and exchange of tensions. Resource nationalism has addressed resource vulnerability and provided the context in which countries have raised defences to stabilize output. Without devoting efforts to focus on reducing resource vulnerability, there would be a greater potential for international conflicts to result from competition over the access to key resources (Le Billon 2005: 3). Instead, the regional scene is armed but for the sake of prosperity, being that both sides of the littoral can gather respective resources to generate windfall. In terms of security strategy, militarization has at least in the short term been successful for all sides that have been able to maintain respective territorial integrity inclusive of natural resources. It should also be mentioned that while the US has historically intervened in the shaping of Persian Gulf affairs and acted as security guarantor for the Arab countries of the region, this is not necessarily a trend that may continue persistently. Factors such as a shift of regional strategy, change in presidency, or other political processes could change the degree of support that the US would be able to provide to the Arab countries. Therefore, while the role of US as security guarantor for the Arab countries will continue for some time, it is not perpetual.

### *Risk Expansion via Resource Nationalism:*

Militarization is not the only means to which resource nationalism can consequently affect the overall security of a region though. Indeed, risks have been expanded as a result of resource nationalism with oil and gas revenues that have been able to trigger nuclearizations in the Persian Gulf. Nuclearization in the Middle East has been forecasted for some time<sup>212</sup> and has increasingly become an issue of examination for the international system<sup>213</sup>, but this was done in the wake of resource nationalism already manifesting from each state interpretation.

The nuclear program in Iran, suspicions of nuclear trade in Saudi Arabia with their close relationship to Pakistan<sup>214</sup>, and nuclear ambitions of the UAE with the Masdar Institute<sup>215</sup> are all bound to resource nationalism. The nuclear program in Iran stretches back to the early years of the Pahlavi regime (Patrikarakos 2012: 34) but was not attending enough site upkeep throughout

<sup>212</sup> See Ehteshami, A. (1989). *Nuclearisation of the Middle East*. London: Brassey's.

<sup>213</sup> See Ehteshami, A. in Yaphe, J. S. (ed.). (2010). *Nuclear Politics in Iran*. Washington, D.C.: National Defense University Press.

<sup>214</sup> Urban, M. (2013). "Saudi Nuclear Weapons 'On Order' From Pakistan" in *BBC*. Available online: <http://www.bbc.co.uk/news/world-middle-east-24823846> (Last Retrieved: November 27, 2013).

<sup>215</sup> <http://www.masdar.ae/en/> (Last Retrieved: February 27, 2012).

the dynastic reign to produce any real serious program developments that would be able to enrich uranium for weaponization. Moreover, the country was reliant on foreign support for the program. However, with the rise in nuclear black markets<sup>216</sup> and a newfound ambition to possess the technology, Iran was able to reactivate progress with the development of domestic reactors<sup>217</sup>. The nuclear history of Saudi Arabia stems from 1988 with the introduction of the Atomic Energy Research Institute (AERI) to the King Abdulaziz City for Science and Technology (No Author 2008: 40). The program was initiated with the intent of providing an alternative source of energy to the public (Ibid: 41). Despite being recognized by the International Atomic Energy Association (IAEA) as having, “no nuclear ambitions or facilities” and not developing facilities, proliferation fears still exist due to potential black market purchases and a close relationship with nuclear Pakistan (Ibid: 42). Undeclared nuclearization is credited to fears of Iranian nuclear ambitions only a gulf away. Critics have pointed out that the DF-3As possessed by the kingdom even at a downgraded level are capable of nuclear warhead delivery, which could demonstrate intent, but possessing missiles alone does not signify further action of acquisition for other materials. The UAE has additionally entered the nuclear scene with the creation of the Masdar Institute. This illustrates the dynamic power of resource nationalism since the institute is wholly owned by the CSWF of MDC. The UAE developed its ambitions with the assistance of South Korea, which proposed a more budgeted and matured technology to the Emiratis over other international proposals (Luomi in Kamrava (ed.) 2012: 141 – 142). The partnership blossomed to other closely developed deals that entailed the UAE delivering over 1 billion bbl of crude to South Korea (Ibid). Emirati ambitions with the Masdar Institute are to ensure that the surrounding city is a zero carbon emissions zone that will be able to provide an alternative and additional source of energy for domestic usage.

Potential weaponization aside, resource nationalism heightens the risks of nuclearization between the case studies since it reserves the potential for claims over natural resources such as uranium and could nationalize the material. The performance of such an action could provide the new resource nationalism model with lessons learned from a pre-existing interpretation within the state and between the case studies there is certainly valuable data to erudite. Of course, given

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<sup>216</sup> See (No Author Indicated). (2007). *Nuclear Black Markets: Pakistan, AQ Khan and the Rise of Proliferation Networks*. London: IISS.

<sup>217</sup> See (No Author Indicated). (2011). *Iran's Nuclear, Chemical, and Biological Capabilities: A Net Assessment*. London: IISS.

the expenses of maintaining a nuclear reactor, there would be at best limited economic benefits for the state. However, there is a significant psychological gain of esteem for the population since the country assumes international prestige with nuclearization given that there are only a select number of states that retain the technology and expertise to do so. Moreover risks could be that while nuclearizations do not need to be geared towards weaponization and can instead be used as an alternative energy source, should one state be nuclear and others in the vicinity not, there can be a situation in which a more prominent country of high scientific endeavours gains a point of leverage over another. Hence, nuclear proliferation is consequently being seen across the Persian Gulf with countries of the GCC having projects underway to secure competition rather than experience subordination to Iran. Littoral nuclear competition though is not resultant from resource nationalism in Iran, Saudi Arabia, or the UAE. Rather, the implementation of the nuclear programs was resultant from the framework. Resource nationalism has already been described as potentially initiating regional competition such as with a littoral setting; however, the context with regards to nuclearization is not applicable. As a result of the risk expansion, resource nationalism has successfully raised international awareness to the region and convinced other international actors to become involved with issues in the littoral that are directly tied to natural resource concerns as well as other issues, including nuclearization, which are tied to funds generated by the framework. Expansion does not entail tumult though; it simply means that there are additional levels of concern that have developed.

### *Sector Privatization and Security:*

The result of state interpretations and manifestations of resource nationalism in conjunction with the risk expansion has resulted in the effective privatization of the petroleum sector in each of the case studies, albeit to varying degrees. Consequential security issues have also been raised in this vein. While it is contrary to the purpose and existence of resource nationalism, it has occurred due to the interpretation and manifestation of the framework as well as the political structures of the case studies.

In Iran, effective privatization has taken hold through political means and manipulation of the political system. There is no real military role involved in the siphoning of central government funds. Privatization of the natural resource sector and any funds generated from the sales of such an industry are not allowed. Although it has occurred via exploitation of supposed

loopholes in the constitution despite the articles being very clear. Certainly, this is evidence of outright corruption and disregard for the constitution in addition to institutionalized deficiencies of management. Moreover, in practice there are limited accessibilities by the population to natural resource wealth. In Saudi Arabia, there is a stark difference in that effective privatization has been able to occur with the King conceptually and technically being owner to all properties, inclusive of natural resources, in the country. There is additionally military backing to the position since the armed forces of the country are foremost in his service. There is no constitution present in the country, which means that unlike Iran there can be no claims of contradiction in this sense and privatization of the industry has occurred via Aramco and practice of the idea that the King is the living embodiment of the state. Therefore, if there is any disagreement with the King over the matter of natural resources in the country, unilateral militaristic force can theoretically be applied. In the UAE, privatization has taken a unique form. Conceptually, there are seven emirates within the federation that each possess a sheikh as the managerial head of a respective area that are supposed to distribute funds in the area and that does not mean that natural resources are personal wealth. The constitution of the UAE additionally states that all natural resources are not only public property but that it therefore does not belong to a single individual or family.

Since the 2001 US invasion of Afghanistan, the UAE has seen a spike in private military and security companies (PMSCs) and is host to a number of prestigious establishments, such as Aegis<sup>218</sup>, Defion Internacional<sup>219</sup>, DynaCorp<sup>220</sup>, Erinys International<sup>221</sup>, Halliburton<sup>222</sup>, ISI International<sup>223</sup>, and Unity Resources Group<sup>224</sup>. However, one of the more interesting establishments would be Reflex Responses (R2)<sup>225</sup>, which is headquartered in Abu Dhabi. R2 inherits a formidable reputation from Eric Prince, who was the founder and former CEO of

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<sup>218</sup> See <http://www.aegisworld.com/> (Last Retrieved: November 17, 2012).

<sup>219</sup> Defion Internacional is a private military and security company based in Lima, Peru that has an international office in Iraq, the Philippines, Sri Lanka, and the UAE.

<sup>220</sup> See <http://www.dyn-intl.com/> (Last Retrieved: November 17, 2012).

<sup>221</sup> See <http://www.erinys.net/> (Last Retrieved: November 17, 2012).

<sup>222</sup> See <http://www.halliburton.com/en-US/default.page> (Last Retrieved: November 17, 2012).

<sup>223</sup> Owned by Richard Galustian, see <http://www.ca4.uscourts.gov/Opinions/Published/091069.P.pdf> (Last Retrieved: November 17, 2012).

<sup>224</sup> Unity Resources Group is an Australian-owned company that is headquartered in Dubai. See <http://www.unityresourcesgroup.com/> (Last Retrieved: November 17, 2012).

<sup>225</sup> Mazzetti, M. and Hager, E. B. (2011). "Secret Desert Force Set Up by Blackwater's Founder" in *The New York Times*. Available online: [http://www.nytimes.com/2011/05/15/world/middleeast/15prince.html?pagewanted=all&\\_r=0](http://www.nytimes.com/2011/05/15/world/middleeast/15prince.html?pagewanted=all&_r=0) (Last Retrieved: May 15, 2011).

Blackwater, and has formed the PMSC with the sheikhs of Abu Dhabi. R2 maintains an 800-personnel military garrison (Figure 4.85) close to the Sweihan Air Base in Abu Dhabi (Figure 4.86) and coinciding with the militarization of the emirate, including Mihad Air Base (Figure 4.87). Political neutrality of the UAE was seemingly intact despite the formations of such companies, yet resource nationalism manifested with a fascinating characteristic that has not appeared in other countries utilizing the framework. Essentially, while there may be cases in which state militaries have been structured in such a manner to support privatization of natural resources in regimes, the sheikhs of the UAE have employed mercenaries that serve a dual purpose of safeguarding the country as well as protecting the sheikhs themselves. Therefore, should the sheikhs determine that natural resources in the country were to be effectively privatized and there be a disagreement with the population over such an action, there would be PMSC backing at the very least to the claims of the sheikhs. This significance of such a move is extraordinary and given that none of the PMSC employees are Muslim or from the Middle East, should conflict occur the implications would be astounding with non-Muslims and non-Middle Easterners asserting authority over a domestic population that is comprised of Muslims and Middle Easterners. Essentially, the rise of PMSCs in the UAE has enabled a sheikh to exercise privatized control over state resources, while also maintaining the ability to suppress any of the factors that influence resource nationalism such as ethnicity or nations or nationalism that may pose a perceived threat to their rule. Further implications on the psychological effects and future political behaviour of the sheikhs are staggering.

While the UAE may serve as a model in many aspects for other countries, it is unlikely that states such as Iran and Saudi Arabia will follow suit with regards to the PMSCs. Moreover, larger states may not be able to achieve the same degree of effective privatization using PMSCs like the UAE given factors that are inclusive of the geographic size and large populations. Nonetheless, such a model can flourish in smaller countries such as Bahrain and Qatar. However, it should also be noted that the UAE has thus far been acting benevolently with the population and not used the PMSCs to abuse or malevolently control the population. In the meanwhile, the UAE has provided an exceptional feature to the progression of resource nationalism.

*Conclusion:*

In sum, many of the drivers and motivations for energy security are based in fears and suspicions, which can facilitate resource wars and the need for the militarization of energy reserves. Resource nationalism has been demonstrated to serve as a catalyst to militarization and enhances the inherent need for it. It has also been revealed to be utilized as covert interstate warfare, with the promotion of religious ideology, political conflict, economic rivalry, and proxy warfare being select themes. Between the case studies, risk expansion via nuclearization has also been covered and highlights the dynamism of the framework. The manifestation of resource nationalism has also effectively created privatizations in Iran, Saudi Arabia, and the UAE, which although is contradictory to the essence of the framework has been able to occur in varying degrees but with potential consequences. Indeed, while resource nationalism does commonly hold the view that it is seemingly invulnerable, it does have flaws. Focusing on the deficiencies would be beneficial in order to understand the weak points of the framework so that potential solutions can be provided as well as reduce the intimidation brought on by host countries utilizing resource nationalism.



## **Chapter 5: Deficiencies of Resource Nationalism Framework and Natural Resource Management in the Persian Gulf**

The chapter will initiate with a review of select benefits for implementing resource nationalism as state policy and will be subsequently followed by a segment on the interactive relationship that natural resources shares with parties such as the state, nations, and ethnicities. Given that there is certainly a theoretical perspective to resource nationalism before it is vivified and brought into actuality, there are natural flaws and counters to the concept. A number of such limitations will be evaluated followed by a section of reducing the inherent problems of resource nationalism coupled by the management of practical deficiencies. A brief note on the prospects of the future continuation of resource nationalism will then be covered before the conclusion that will lead to final reflections on resource nationalism. Custom policies and policy recommendations will not be covered. Rather, a more conceptual route will be traversed given that policies can be sensitive to external as well as internal factors that would alter the effectiveness of potential dogmata given the variability of conditions involved. For instance, the demographics of a country could change in such a manner that it would influence resource nationalism models already implemented within a state. In essence, the consistency of conditions that would theoretically make a constructive and successful policy is subject to unpredictability.

Given the breadth of applicability of resource nationalism outside of the Persian Gulf region, other members of the international system will be drawn upon in this chapter. Certainly, the case studies will be touched upon along with the greater basin area. However, examples in other parts of the world will also be covered since resource nationalism stretches beyond the Middle East. In this vein, the chapter will not be investigating oil and gas exclusively, as was covered in previous chapters. Instead, it will also be inclusive of other industries and natural resources. Naturally, it is vital when evaluating resource nationalism to cite additional experiences of managing natural resources regardless of resource equivalence. Indeed, utilizing the experiences of other entities implementing resource nationalism and with varied materials would strengthen any research endeavour undertaken to understanding the concept.

### ***Review of Benefits for Undertaking Resource Nationalism:***

A summarized revisiting of perceived advantages for entities utilizing the concept is valuable as a common ground perspective can be taken in order to investigate empirical as well

as theoretical shortcomings and flaws with resource nationalism. A first perceived benefit to remember would be that resource nationalism is viewed by many developing economies as a means for the state to proceed towards industrialization. Naturally, in order for a state to industrialize the existing local industries must in turn be cultivated and protected, similar to natural resources within a country as they are used and guarded. Also, resource nationalism brings a perceived asymmetric relationship between IOCs and developing countries to something more level. A commonly featured instrument found by implementing resource nationalism would be with the creation of nationalized companies, such as NOCs, which enhances nationalism because it is the nation that will be bringing foreign entities to a position of bargaining rather than perceived exploitation. Host countries also would prefer to have the right to control and dictate what prices their natural resources can be sold for in international markets since it is a material or set of materials that are located within the borders of their own country. The creation of the Organisation of the Petroleum Exporting Countries (OPEC) can arguably be seen as a collective effort for countries that export petroleum as a large generation of GDP to assert control over their own natural resources through an international consortium to additionally seal state policy in a global setting. While there are membership requirements, the absence of countries with developed economies that possess significant petroleum reserves such as Norway and to a lesser extent Russia demonstrate that there could be a lack of incentive to join the organisation because of state confidence rather than state insecurities. Indeed, the makeup of OPEC is with emerging economies such as those of the GCC as well as with founding members such as Iran, Iraq, and Venezuela. Its most recent member would be Angola, which joined OPEC in 2007<sup>226</sup>. The developing economy status commonality shared between all members of the organisation gives potential insight to state timidity when concerning the continued strengthening of respective economies. Since the inception of OPEC, none of its members, both former and current, have yet achieved full-fledged industrialization. While some member states have made attempts to do so such as with Iran and its domestic military industry, Nigeria and its traditionally developed agricultural sector (Ariweriokuma 2009: 17) as well as satellite development projects<sup>227</sup>, Saudi Arabia and its increasingly structured financial system, the UAE and DUBAL, most member states are experiencing difficulties in diversifying state economies

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<sup>226</sup> [http://www.opec.org/opec\\_web/en/about\\_us/25.htm](http://www.opec.org/opec_web/en/about_us/25.htm) (Last Retrieved: May 18, 2013).

<sup>227</sup> NigeriaSat-1 launch details: <http://news.bbc.co.uk/1/hi/world/africa/3141690.stm> (Last Retrieved: March 10, 2012) and <http://www.sstl.co.uk/Missions/NigeriaSat-1--Launched-2003> (Last Retrieved: March 10, 2012).

away from the petroleum sector and its associated industries. Should a diversifying step away from petroleum be taken, such as with Angola and its mining industry<sup>228</sup>, reliance on natural resources is still pervasive and preventing industrialization routes or truly diversified economies from taking shape. In the case of Nigeria, the situation was reversed with the high level of petroleum revenue returns and an immense flow of monies to the central government prompting rapid development of the oil and gas sector (Ariweriokuma 2009: 35 and 295). This in turn damaged other industries such as the traditional agricultural sector as well as the solid minerals one (Ibid). The disastrous governmental focusing exclusively on swift returns from the petroleum sector limited the development of other sectors and impeded on future economic diversification courses (Ibid). Indeed, it is a viewpoint that members of OPEC are sharing similar experiences across the membership spectrum with the petroleum element, regardless of resource nationalism interpretation, manifestation, or political structure. In this vein, the establishment of relations between each member state can be viewed as an observational one in which members are waiting for one to industrialize so that frameworks and pathways can be learned. Certainly, for a developing economy to have closer ties and relations to an industrializing one through economic consortiums such as OPEC would enable a more streamlined transition for the developing economy to boost itself to the next level. However, OPEC members along with other petroleum exporting countries are reliant off of exportation costs, which are dependent upon a number of sensitive factors. After all, petroleum prices do fluctuate and an economy based mainly off of such resources are subject more to the sensitivities such as international demand and its capability of payment rather than idealistic conditions in which the host country determines a price at which a return is given. It is also granted that other petroleum exporting countries with developing economies such as Azerbaijan and Kazakhstan are not in OPEC but the point of an industrialized country not being member to the organisation is indisputable.

Aside from economic incentives, there are also a number of other drivers that account for perceived benefits for implementing resource nationalism. For instance, a political driver would be that emerging economies desire an international presence to be recognized and interacted with by other members of the system. Such a driver is particularly crucial for new countries to the international system like South Sudan, which is rich in natural resources aside from petroleum

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<sup>228</sup> Jamasmie, C. (2013) "Angola's Diamond Industry to Regain Record Production Levels". <http://www.mining.com/angolas-diamond-industry-to-regain-record-production-levels-report-29501/> (Last Retrieved: October 24, 2013).

such as precious metals and hardwoods<sup>229</sup>. Additionally, whether intentional on behalf of a government or not there is also a global awareness of democratic political structure that is highlighted with resource nationalism given the inherent collective nature of the concept. Facilitating group participation can certainly be viewed as an asset since communication would be present across a variety of groups and identities for access to and management of natural resources. Another set of motivations would be socio-cultural and technological, which are synergetic in their relationship. In a technological aspect, one of the foremost effective products from the driver would be the development and accessibility of communications tools. Such mechanisms are able to not only facilitate the exchanging of information and building of infrastructure but can also effectively convey messages between groups, which may have previously been convoluted or absent. Reciprocally, a socio-cultural driver that is impacted by a technological one such as the implementation of communications towers would be that a growing intolerance of extremes of wealth and poverty are becoming more popular ideas that are expected by populations to be resolved and diverted.

Admittedly, this is in a utopian and idealistic point given that the idea of mounting intolerance for economic extremes in society does not always have operational addressing and can even be ignored in some societies. But, it can be at least asserted that businesses that operate within a host country utilizing resource nationalism are having greater expectations to maintain a constructive presence in the area of operations. Should a contracted foreign company not comply with the expectations of the population or the regulations set forth by the central government, it can surely be replaced given the distaste for negative publicity that could affect future operations and reputation of the company in the host country in addition to the host country being potentially perceived as weak and/or irresponsible should it not address unsatisfactory behaviour. With resource nationalism as state policy, it is certainly more feasible that a central government would be able to outsource services to competition provided by other companies; particularly with markets in Asia supplying competent services that would be viable options as replaceable alternatives to incompetence. The notion also enables the government to exercise unilateral power such as the threat of operational license revocation. Nations and ethnicities within the host country could also further backlash against foreign companies through manoeuvres such as

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<sup>229</sup> <http://www.bloomberg.com/news/2013-01-25/south-sudan-plans-to-start-teak-exports-to-cut-dependence-on-oil.html> (Last Retrieved: January 25, 2013).

demonstrations. A supplementary driver would be the psychological, which is intimately tied to all aforementioned motivations for a developing economy to implement resource nationalism. The psychological driver is a product of the concept and has a number of features. The expressions of include state patriotism, national pride, and the promotion of charitable international presence.

However, despite the perceived benefits of utilizing resource nationalism the undertaking of the concept does not necessarily entail successes or a betterment of state conditions. Rather, success is dependent on numerous factors that actively interplay with the components of resource nationalism; namely, the state, nation(s), nationalism, and ethnicity on international as well as intrastate terms. State interpretations, manifestations, and maintenance of resource nationalism models also hold significant roles in any potential positive impact that the concept would have. Within the case studies of Iran, Saudi Arabia, and the UAE there were certainly benefits as well as liabilities and further complexities that occurred with the usage of the concept that differed from country to country despite all of the case studies being from the same region. Certainly, it was the varied elucidations of resource nationalism that provided differing degrees of successes and disasters in each of the countries undertaken in the study. Measuring success, of course, can be subjective. Therefore, in order to provide a more objective and balanced view of the successfulness of resource nationalism, the weighing of benefits versus burdens must be scaled. Hence, a comparison of natural resources as both a hex and commendation must be covered.

### ***The Enigmatic Paradox of Natural Resources:***

From the benefits revisited it is important to note the dualistic nature of resource nationalism as simultaneously constructive and adverse with both favourable as well as unfavourable consequences. Select disadvantages will be covered in a global context followed by an advantageous review of the benefits of possessing natural resources in the state economy for the generation of revenue.

### ***Natural Resources as a Curse:***

There has been a significant amount of research produced that discusses and views natural resources within developing economies as a curse. Given the substantial literature on the theme, only a selection of the vast research efforts that have investigated the resource curse will

be covered, which will grant a setting from which a point of contrast to natural resources as a blessing can be made.

When discussing natural resources as a curse, it is crucial to observe whether the state is dependent on the generation of revenues from natural resource for the majority of the GDP. Should the state demonstrate that the economy is in fact exhibiting traits of dependency on natural resources for economic sustainment then an avenue leading to a resource curse is most likely being traversed. Dependency on raw commodities within developing economies can coincide with state formation and en route with a curse can cause devastating damage. Institutional development, rates taxation (Daniel, Keen, and McPherson, eds. 2010), administrative operations, the allocation of resources, and policymaker behaviours are all consequential deficiencies that can be encountered with a state that exhibits resource dependency (Karl 1997: 46). Naturally, this extends across the boundaries of petroleum and is an applicable assertion for countries with other tangible resources as well such as metals, diamonds, and ore. It could also be the case that the temptation of rapid funds causes an overlooking of capital-intensive operations. Hydrocarbon and mining operations for example are niche industries that require specialist labour and technologically complex equipment. On state levels, operations are typically large in scale and will be capital-intensive to initiative, maintain, and continue services (Ibid: 47). Meeting quota effectively would be an additional multiplier to the costs required for the industry. Therefore, the enticing financial gains of focusing on natural resources as the core generator of capital is certainly at a cost higher than superficial observations may lead on. In a resource curse, the mobilization and direction of state energy towards such a focus on raw commodity collection takes away from other sectors that while may not be immediately profitable may set foundations for industrialization and at least economic diversification to occur.

State development can be further impeded with a dependency on materials coupled with the usage of resource nationalism in that ethnic tensions can be promoted. There are numerous examples that stem from Sub-Saharan Africa, such as with the DRC and the gold industry (Le Billon 2012: 111) that illustrates such a claim. In the former Zaire, of what is now the DRC, the central government was dependent upon exportations of natural resources for the majority of its GDP. The interpretation of resource nationalism in the developing economy of Zaire was similar to the extreme example of Saudi Arabia in that the living embodiment of the state was the head

of state, but was more stringent in its manifestation with rigid boundaries placed on ethnicity and political cabinet. The despotic dictator, Mobutu Sese Seko<sup>230</sup>, who was of Ngbandi descent, amassed fortunes that were allegedly derived from the mining of natural resources in the country<sup>231</sup> after displacing the Congolese nationalist government of the ethnic Tetela, Patrice Lumumba. Following a brutal and corrupt reign, Laurent-Desire Kabila, of Luba and Lunda tribal descent, staged a rebellion against the Sese Seko regime and was able to succeed in the coup d'état using gold revenue generated from eastern Congolese territory (Le Billon 2012: 111). The "war economy" of Kabila was not only limited to gold and included other natural resources such as coltan (Ibid). While the core of the conflict in Zaire was not motivated by ethnicity as a primary driver and the dispute was more so about the abhorrence towards the manifestation of resource nationalism that was in place in the country, there was undoubtedly a role that ethnicity held in the conflict. The aftermath of the removal of Sese Seko from office not only hindered state development but the DRC remains a shattered country in catastrophic condition. The dependency on raw materials has continued, the currency has kept a low value against other international currencies, inflation rates are high, and the country ranks as one of the lowest GDP per capita PPP rates in the world<sup>232</sup>.

In the Caucasus, the Republic of Azerbaijan and its hydrocarbon reserves have caused ethnic tensions in the southernmost areas of the country with the Talysh in Lankoran (Nuriyev 2007: 226) that have had their fisheries and traditional lifestyles eroded by explorations occurring in the Caspian Sea. Revulsion towards the ruling Nakhcevan clan in the country devolved the situation to violent civil war (Ibid). A movement for the establishment of a Talysh-Mugan Republic was initiated by Alikram Humbatov in 1993, which was a secessionist undertaking that was in stark contrast to the historically passive lifestyle of the Talysh (Ibid). Crushing economic hardships served to manage Talysh separatism and restore stability in addition to Iranian cooperation with the Azeri government in the handover of Humbatov, it would be more correct to assert that the rebellion is not necessarily forgotten but rather temporarily suspended as there is always a chance for revolt and insurgency to return (Ibid: 227).

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<sup>230</sup> Tharoor, I. (2011). "Mobutu Sese Seko" in *Time*, October 20, 2011. Available online: [http://content.time.com/time/specials/packages/article/0,28804,2097426\\_2097427\\_2097458,00.html](http://content.time.com/time/specials/packages/article/0,28804,2097426_2097427_2097458,00.html) (Last Retrieved: October 14, 2012).

<sup>231</sup> (No Author). (2011). "Who Were Africa's Richest Dictators?" in *Forbes*, August 8, 2011. Available online: <http://www.forbes.com/sites/mfonobongnsehe/2011/11/08/who-were-africas-richest-dictators/> (Last Retrieved: October 14, 2012).

<sup>232</sup> <http://data.worldbank.org/country/congo-dem-rep> (Last Retrieved: October 14, 2012).

The intense loathing on behalf of the Talysh that still remains in the meanwhile is a constant threat for the government to consider when conducting operations in the southern Caspian Sea boundaries of the country (Ibid: 227).

Central Asia may experience its ethnic tensions over natural resources between Uzbekistan and Tajikistan with the hydroelectric dams<sup>233</sup> and power grids<sup>234</sup> being set up in the on the Vakhsh River in the latter. The implications of damming in Tajikistan may affect the lucrative agricultural sector of Uzbekistan with cotton fields being unable to produce quota. Tajikistan though has argued that the project is for national energy and therefore is a state project that can be associated with resource nationalism given water is the pivotal material that powers the dam. Uzbekistan however also maintains a degree of resource nationalism with its cotton fields in that the agricultural cash crop accounts for a significant amount of revenue that is generated to Uzbeks. Hence, the grounds for conflict can indeed be viewed as set. A point to mention would also be that both countries are developing economies that are struggling economically and have natural resources as the main generator of state funds.

The lacking of frameworks for the development of full economic potential in each of the aforementioned examples demonstrates natural resources having detrimental effect on diverting focus away from pathways for the stabilized foundations of economic diversification and future industrialization in favour of the allure of quick money. Another mind-set frequently overlooked would be that states that are dependent upon natural resources are ultimately relying on materials that can be depleted (Karl 1997: 47). Cash crops and other agricultural resources are renewable though and can be regenerated or cultivated at a regulated rate whereas there is a limited set of raw commodities such as metals, coal, and petroleum that are gathered in mining and petrostates. The Hubbert Peak<sup>235</sup> will therefore already be a marker from which a mining economy or petrostate will be working towards from the initial decision to export the natural resources regardless of whether resource nationalism is utilized or not. However, given that resource nationalism provides a sponsor with perceivably more benefits, it is more often the case that some form of the concept will be used. Indeed the inclusion of renewable sources of wealth such as with cash crops to the pre-existing raw commodities sector may prove to be more beneficial in

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<sup>233</sup> Rokun Dam on the Vakhsh River in southern Tajikistan: (No Author). (2013). "Hydropower in Tajikistan" in *The Economist*, July 27, 2013. Available online: <http://www.economist.com/news/asia/21582325-president-edifice-complex-screwing-motherland-folie-de-grandeur> (Last Retrieved: July 27, 2013).

<sup>234</sup> <http://www.globalsecurity.org/military/world/centralasia/tajik-energy.htm> (Last Retrieved: August 26, 2013).

<sup>235</sup> <http://www.hubbertpeak.com/> (Last Retrieved: June 26, 2011).



laying the grounds for diversification and long-term returns despite the allure of a massive rapid capital injection being absent.

Extreme capital intensity in any case carries undesirable effects. One is historically linked in that exporters of natural resources such as oil have typically had exceptionally high levels of foreign ownership and/or control (Karl 1997: 47 – 48). A reason for this would be that the required amount of capital and technology was not possessed by the host country (Ibid). Simultaneously, especially with a high level of foreign ownership and/or control there comes a characterization of the industry hiring low numbers, if any, from the host population (Ibid). Naturally, the setting for resource nationalism to take hold is set and can be utilized, however, should demands from the host population be met if foreign companies believe that profit margins will not be significantly affected in any case, then the concept may not take hold. Rather, collective bargaining with the population would result in a landlord-peasant relationship with foreign companies gaining more interests than the host country (Ibid). In this sense, natural resource development in a developing economy can result in a, “foreign-controlled, high-wage economy, characterized by some strong unions and high unemployment,” (Ibid).

#### *Natural Resources as Benediction:*

There are however desirable effects that natural resources and its exportations may bring. After all, the contrapositive to natural resources being malediction would be that the materials are in fact advantageous. Some countries that have utilized resource nationalism in conjunction with natural resources for the development of the state and industrialized as a result of the interpretation of the concept can be found in Nordic countries.

Finland and Sweden have jointly been cited as cases in which raw commodities have revolutionized previously poor and underdeveloped economies into globally present forces. These countries are grouped together due to the common resources of timber and iron ore being raw sources of materials that were used for the benefit of the state. The remarkable transformation from underdeveloped economies to full-fledged globally competitive ones is a track that owes much to natural resource exportations. Prior to the lucrative raw commodities industries, agricultural economies were in place for both countries. Land ownership reforms, new agricultural production techniques that included implementing technologies such as ploughs, and the adoption of a new staple crop of potatoes in place of beets and turnips provided room for

Nordic countries to industrialize. Exportations of cereals for example occurred within two decades of the adoption of such principles and were significant since Sweden as a case study was a net importer of grains before the implementation of reforms (Blomstrom and Koko in Lederman and Maloney *eds.* 2007: 218). Education improved in both countries and was paralleled to the growth of nascent technology industries. The increased quality and availability of public education enabled both Finland and Sweden to independently research as well as develop technologies that would prove to eventually create a further diversified economy. An example would be with the timber industry. Forestry requires technologies that would enable operators to saw through trees, gather and transport logs, create pulp and paper, as well as a number of other services. Transportation, machinery, chemicals, in addition to skills and knowledge for the fields are a scattering of what is required for the related industries of a domestically maintained natural resource sector such as timber that was followed by Finland and Sweden. Additional applications of academic fields such as chemistry for the creation and advancing of other industries is a logical conclusion that was reached by the case studies. Industrial sector diversification continued with the pioneering of information and communications technologies (Ibid: 214). For example, the Finnish Nokia and Swedish Ericsson were leaders in the telecom industry until both were sold to foreign companies (Ibid). However, it should be noted that a reason for the development of the economies to such an extent from developing stages would be indebted to the windfall generated from natural resource sales. Both Finland and Sweden maintain a sizable portion of their economic assets to natural resource sectors but neither are exclusively reliant or dependent on the raw commodities sectors. Furthermore, despite the sales of highly regarded companies such as those in the telecom industry, both Finland and Sweden remain competitive economies that maintain high standards of living for the population<sup>236</sup>, which are envied by many other countries around the world. Indeed, diversified economies are beneficial to possess and the promotion of which can occur with the assistance of natural resource wealth coupled to education.

When discussing the benediction of natural resources upon a society, particularly one that utilizes resource nationalism, it is without question that Norway is an iconic and exemplary country. Not only is Norway within the neighbourhood of the Nordic countries already

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<sup>236</sup> Willett, M. (2013). "The 15 Countries with the Highest Quality of Life" in *Business Insider*. Available online: <http://www.businessinsider.com/top-countries-on-oecd-better-life-index-2013-5?op=1> (Last Retrieved: May 28, 2013) and [http://www.economist.com/media/pdf/QUALITY\\_OF\\_LIFE.pdf](http://www.economist.com/media/pdf/QUALITY_OF_LIFE.pdf) (Last Retrieved: May 28, 2013).

discussed, its raw commodities are petroleum; with the major reserve of Ekofisk being discovered in 1969 (Bayulgen 2010: 187) and concessions as well as exploration rights being granted in the years preceding its discovery (Stennstadvold 1977: 2). Fearful of foreign dominance in the industry, the country implemented a “Norwegianization” of all hydrocarbons in the North Sea as property of the state for the benefit of the population following a framework of resource nationalism (Bayulgen 2010: 188 – 189). Early diversification of the economy as well as the promotion of a proactive Norwegian role in the harvesting of raw materials was supported by the government (Ibid: 189). The goal was essentially to facilitate domestic Norwegian competence for hydrocarbon activities that would, “over the long run reduce the role of the foreign oil companies to that of consultants, developers, and minority partners,” (Andersen and Arnestad in Bergesen and Sydnes *eds.* 1990: 55). The government initially began pursuing the objectives of resource nationalism by gradually asserting managerial, operational, financial, and outright ownership control of the petroleum industry (Bayulgen 2010: 188). Within two decades of major hydrocarbon extractions, Norway experienced a recession when oil prices collapsed in 1986 (Ibid: 191). However, the country relied on windfall that was reserved for future generations and was able to persevere through a series of adaptive petroleum policies that were more favourable to foreign companies than before the decline in oil prices. The educational sector in particular had been a saving grace for the Norwegians since there was a capable population that had expanded to other budding industries, which was also a state policy that was in place from the 1970s (Ibid: 187 – 188). Able to attract reasonable assets and ventures due to an incredibly different investment environment than other petroleum states in the world such as those found in the Middle East, Norway was able to cleverly allocate wealth accumulated from the sales of natural resources to manoeuvre through a global decline in oil prices ultimately to emerge as a country that is consistently regarded as one of the highest living standards on earth<sup>237</sup>, which kept in tradition from the mid-1960s when the country was ranked seventh in the Organisation for Economic Cooperation and Development (OECD) coupled with the virtual abolition of poverty (Bayulgen 2010: 185). Although Norway has certainly had less maturity and interaction with resource nationalism than both Finland and Sweden, it is incontestable that the experience of Norway is extremely valuable and archetypal for other countries. The Norwegian

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<sup>237</sup> According to the UN Human Development Index (HDI), which combines GDP per capita, life expectancy, and education into a single value.

process of development followed in the same model that was implemented by both Finland and Sweden, with oil windfall generated to the central government and allocated to the country for constructive as well as industrializing purposes. Economic diversification was also an additional goal for the distribution of wealth across the sectors. Excess petroleum revenues have also been explicitly set aside for the purposes of sustaining, benefiting, and developing future generations. At the writing of this work, all Norwegian citizens are positioned to technically become Norwegian crown millionaires<sup>238</sup>.

In summary, all countries cited in the Nordic region that have implemented resource nationalism in conjunction with domestic reserves of raw commodities have gradually upgraded their pre-existing economies to a stage that gave rise to other industries that provided economic diversification for the country. Financial services, mobile technology production, machinery fabrication, fisheries, agricultural production, and shipbuilding were some of the industries that were coupled with the natural resource wealth that boosted the standing of Finland, Norway, and Sweden in the international system as well as global economy. Philosophically, it is not necessarily required for resource nationalism to be implemented in order for natural resources to afford benediction. However, the model was cited with the Nordic cases to richly illustrate beneficial outcomes of natural resources being utilized for economic advancement in developing economies that exist within the same region paralleled to Iran, Saudi Arabia, and the UAE in the Persian Gulf.

#### *Delicate Boundaries:*

There exists a borderline between natural resources as a curse and as a blessing that is linked to the political structure and behaviour of the state. The delicate boundary in this sense would be for example between a dictatorial petrostate that is inherently abusive in its structure and a liberal regime that uses natural resources for the purposes of generating collective state wealth that is constructive.

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<sup>238</sup> Stonestreet, J. and Lawson, H. (2012). "Update 2 – Norway GDP to Grow Briskly on Oil, Gas Investment-Stats Agency," in *Reuters*. Available online: <http://www.reuters.com/article/2012/12/06/norway-growth-idUSL5E8N643S20121206> (Last Retrieved: December 30, 2013), <http://www.imf.org/external/pubs/ft/scr/2013/cr13272.pdf> (Last Retrieved: December 30, 2013), and [http://www.statsbudsjettet.no/Upload/Statsbudsjett\\_2013/dokumenter/pdf/NBudget\\_2013.pdf](http://www.statsbudsjettet.no/Upload/Statsbudsjett_2013/dokumenter/pdf/NBudget_2013.pdf) (Last Retrieved: December 30, 2013).

In the case of Venezuela, the oil industry started its radical development in 1908 under Juan Vicente Gomez and came at a time when the agricultural industry was the traditional source of income. This year is regarded as the birth of the Venezuelan oil industry although knowledge as well as usage of oil dated to pre-colonial times in which indigenous populations used materials from naturally occurring oil seeps for mainly medicinal purposes<sup>239</sup>. Gomez seized presidential power with the leaving of Cipriano Castro from office to Europe for medical treatment (Karl 1997: 76). The societal structure in the country included a figure known as a *caudillismo* or *caudillo* (Ibid: 74 – 75), which was a synonymous role to those of *amirs* in the medieval Islamic period. Basically, the caudillo was a character that commanded authority within a particular division of territory and was based on military power and force (Ibid). The structure was inherited from the colonial times of the Spanish and affected political stability in the country with caudillos warring against each other for the expansion of their personal influence, which was expected in a society made up of strongmen (Ibid). Federalism and centralism therefore were theoretical forces that were in constant clash with each other via presidential forces versus caudillos, respectively (Ibid). Gomez was able to manoeuvre the caudillos into submission through a series of political moves and legal implementations that were backed by his own personal connections and willingness to use force. The political apparatus at the beginning of Gomez coming to power was minimalist in every sense and relied on personal authority and informal justice. The state additionally had limited jurisdiction in the country with no effective match against caudillo authority. Indeed, if Gomez were to succeed and remain in power it would be in his interests to have the caudillos submit.

When in the seat of presidency, Gomez utilized foreign investors and companies to enrich the state, maintain his own rule, and have his friends as well as cabinet profit from the oil windfall; from which Gomez was also no exception (Ibid: 77). The caudillos were allured by the promise of payment from the state in addition to have more unruly ones cease hostilities through personal friends and connections of Gomez (Ibid: 79). In the case that loyalties could not be bought, the eventual threat of an increasingly centralized power base would moreover be able to exact compliance. One of the most significant implementations under Gomez would be the Petroleum Law of 1922, which was critical in reshaping the political landscape and traditions of the state (Ibid: 78). A primary function of the Petroleum Law of 1922 was to enable the state to

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<sup>239</sup> <http://www.pdysa.com/> (Last Retrieved: September 21, 2011).

assert absolute authority over all land in the state, which enabled the granting of concessions (Ibid). While concessions for oil could have been granted prior to the law, the caudillismo rules held that a caudillo could effectively tax the government on any operations occurring within the territory of the caudillo (Ibid). Given the numerous complexities that would arise from dealing with many caudillos and varying taxation requirements under such a convoluted and unstable system prompted oil companies to provide Gomez not only with the drafting of the Petroleum Law of 1922 but also assisted in the effective shifting of power from a federal state to a centralized one, although weak in the initial stages of the transferal of power (Ibid: 78 – 79). Private landowners and landownership was tightly controlled by the government, which granted a more efficient flow of product to foreign companies as well as funds to the central government. Moreover, it was quicker and easier for companies to achieve success in Venezuela with a central government in place rather than a multitude of personalities. Gomez fully utilized the support of foreign investments to create modern infrastructure throughout the country and assist in the development of Venezuelan “stateness”, including what it meant to be a Venezuelan with roads connecting peoples that were previously not in contact with each other. The consequential rise in nationalism in the country was interestingly enough initiated by oil companies and propagated by the Gomez administration. State expansion and concentration of power in the central government with the president being the head authority of the country assisted Gomez in consolidating power. The creation of jobs in other areas of the country under the leadership of Gomez gained him considerable support from the local population. However, not every citizen was appeased with the government as there was a degree of corruption and nepotism that was exercised in the country. The Generation of 1928 (Caballero 2003: 290 – 291) student protests for example condemned the brutal campaigns of Gomez against those who did not concede to his rule and direction of state development as well as calling for further democratic installations in the political structure of the country. Under pressure from the population and a desire to maintain stability in the country, Gomez acquiesced to the expiration of his post from presidential office but had his associate of Juan Bautista Perez in place following a decision from the Venezuelan Congress (Ibid: 259). Perez proved to act as vicar of Gomez in the seat of the presidency, with the latter continuing his rule from his residence in Maracay. Returning to power in 1931, Gomez ruled until his death in 1935 (Ibid: 339). Following his death, a series of presidents assumed power in Venezuela until eventually a state policy of resource nationalism was implemented with

the nationalization of the oil and gas sectors under Carlos Andres Perez. This was coupled with the creation of the NOC *Petróleos de Venezuela, S.A. (PDVSA)* in 1976, which continues operations in Venezuela to the present day<sup>240</sup>.

Gomez, using oil windfall stemming from foreign investments, ruled as a benevolent dictator and generated significant wealth to a centralized government that was left as a recognized absolute authority in the country with a united and cohesive state military. The previously existing federalist model that had traditionally been in place in the country with caudillos was subdued and as a result of its jettison, civil wars and political insurrections launched by the personalities were eliminated as well. In place, the precursor to the modern Venezuelan democratic state was constructed albeit unintentionally by Gomez. The foundations laid for democratic frameworks to take hold and develop in the country after his death were used for the production of the state political atmosphere. A unified political system was also met with a newly unified national identity that is also still adhered to at present. This was facilitated by the economic fervour that was rampant throughout the country under Gomez, such as with the building of roads and creation of jobs that enabled various peoples from the country to interact with each other on a level that they had never been able to beforehand. Further economic benefits from the windfall injection included the payment of the entire Venezuelan debt, an increased currency standard, and institutional setups such as with the state military. Fiscal spending was not rash and enabled the country to manoeuvre through economic hardships such as the Great Depression in the USA, from which a formerly major investor in Venezuelan oil was not able to spend on the same level as it did in previous years. As a cushion space against being exclusively reliant on oil wealth, there was somewhat of a preservation of the agricultural sector that had existed before the development of the oil industry. But, further economic diversification was not pursued and the creation of alternative sources of state wealth did not materialize. Little was achieved in the public education sector and there was a negative association that Gomez held with being connected to the USA as an extension of American presence in South America. Majority of the wealth also did pass through Gomez and his political elite, after all, upon his passing he was the richest man in the country. He additionally ruthlessly crushed opponents via secret police and/or state defence force that was funded with oil wealth that was generated from the reserves in the country. Yet, given that Venezuela was a caudillo-

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<sup>240</sup> <http://www.pdvs.com/> (Last Retrieved: September 21, 2011).

ruled minimalist state of federalist composition with an ineffective central government that was unable to match caudillo resistance, credit to Gomez must be given; especially under his guidance in which the presidency reached unforeseeable power. It also may have been *zeitgeist*<sup>241</sup> and was culturally more acceptable during the period of Gomez rule to utilize force as he was inheriting a federalist caudillo-influenced system that was frequented with warring personalities. Gomez was not a megalomaniac with short-term goals and visions though. Rather, he was an extremely shrewd and tactful politician that held long-term visions that were manifested with such actions as the Petroleum Law of 1922, caudillo submission and removal from society, the reshaping of a political system that was to evolve over generations, and the astuteness to nominally relinquish power to Perez until he was able to in title resume the presidential office. None of this would be able to be achieved without oil-inspired development and funds gained from foreign investments.

Arguably an interpretation of resource nationalism that is more associated with Saudi Arabia than the other case studies in that the head of state is the living embodiment of the country through which all natural resources and associated funds are claimed by the ruler. However, Gomez behaved differently than all the kings of Saudi Arabia. While he did broker concessions directly with foreign companies and was constantly accessing the windfall to be used for his personal benefits as well as cabinet, it seems to be more so from a managerial role and a blurring of the dividing lines between personal and regime interests with autonomous bureaucratic logic (Karl 1997: 77). What is then to be gained from the Venezuelan example under Gomez? Essentially, patterns can be avoided and natural resources are not necessarily a predetermined curse for the state or a blessing for it either. It depends on the construction of frameworks and pathways taken following their development. Other factors such as political structure and characters involved can influence the direction of successes and/or failures but neither are absolute determinants. Gomez did not rule in a compassionate democratic sense but was also not a destructive dictatorial petrostate given that constructive efforts were made albeit at a cost of having an autocratic ruler that determined where funds should be directed for future growth to occur. It could be argued that resource nationalism may not have been a present policy that had manifested itself in Venezuela under Gomez given that the presence of a NOC was absent and that there was also no process of nationalization that occurred on any level. It can be

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<sup>241</sup> German: "Spirit of the times".



counterclaimed that the Gomez period was a rudimentary or primitive interpretation of the concept. While NOCs were missing, concessions were brokered albeit often with Gomez directly intervening himself and while there was no official political nationalization of natural resources that occurred, natural resources were explicitly deemed property of the state. Gomez facilitated statehood and the idea of nation in Venezuela, there was a political structure that was left in his legacy and refined in subsequent generations with frameworks that were paved in his era. He cultivated the ideas of statehood and nationalism to be complementary ideas in the country rather than competing. Hence, Gomez just as other monarchical figures existing in other temporal frames and geographies, such as with Kingdom of Saudi Arabia, can be regarded as the living embodiment of the state. Therefore, resource nationalism can undeniably be regarded as existent during this period and demonstrates a delicate aspect of the concept.

### ***Further Shortcomings of Resource Nationalism:***

Controversial rulers utilizing resource nationalism for personal gain is one of the many potential shortcomings of the concept. Naturally, as a theory there will be vulnerabilities since no theory is infallible. Consequently, there will be empirical results of utilizing resource nationalism that will have faults as well.

A major citation when discussing potential flaws with resource nationalism would be rentierism, which is the case in which states derive majority of their national revenues from selling state-owned resources to foreign entities (Ayubi 1995: 227). Rentierism has also been described as collecting “un-earned” income, since natural resources were already present as a raw product (Ibid: 227). Indeed, when overviewing resource nationalism, especially within the context of developing economies, the notion of rentierism is a very viable pathway that may be taken. Already, many interpretations of resource nationalism have manifested themselves in such a manner that the state was ultimately in a position of rentierism. Iran, Saudi Arabia, and the UAE have all experienced rentierism and have yet to emerge from the status. Other countries that have utilized resource nationalism inside the Persian Gulf region, such as Qatar, and similarly outside the region, such as Azerbaijan in the Caucasus, have also yet to overcome rentierism.

An extension of rentierism that is more applicable to industrialized or developed economies would be Dutch Disease, which has been described as the phenomenon in which an economic boom in the natural resource sector of a country transforms into a decline of other

industries such as manufacturing and agriculture (Overland, Kendall-Taylor, and Kjaernet in Overland *et al.*, 2010: 5 – 6). A major symptom of Dutch Disease is the loss of competitiveness in the non-hydrocarbon economies (Lewin in Najman *et al.*, 2008: 33). Aside from the Netherlands, which is the case study from which the concept is derived, Kazakhstan and to a lesser extent Russia are both countries that have utilized resource nationalism and have exhibited symptoms of Dutch Disease, particularly after the fall of the USSR. Kazakhstan for example was a flourishing Soviet Socialist Republic (SSR) that maintained production facilities that were inclusive of light manufacturing capabilities and held the prestigious Baikonur, which was used as a launch station for the Soviet space program<sup>242</sup>. Following the dissolution of the USSR, there was an overall decline in the industries allocated to Kazakhstan from its Soviet inheritance. Economic woes and a weak central government prompted a strengthening of the entire state infrastructure. To strengthen the government and in an attempt to resolve economic anguishing in the country, concessions and exploration rights were signed with foreign companies for the extraction of Caspian Sea hydrocarbons in addition to the oil and gas wealth being nominally nationalized. Indeed, implementing resource nationalism with the numerous oil and gas reserves in Kazakh territory of the Caspian Sea was seemingly beneficial to the small population. The Tengiz oil and gas field was one of the largest finds in recent history, which was first discovered in the USSR in 1979 (Yessenova in Najman, Pomfret, and Raballand *eds.* 2008: 194). It was untouched however until 1993 due to the lack of Western technology in the Soviet Union, which could not extract the reserves using its own domestically produced devices (Nanay in Kalicki and Goldwyn *eds.*, 2005: 129). Therefore, regardless of any industrial progression in the country, for a short term solution and capital injection, pursuing the exploitation of natural resources with foreign investments was logical. This would be particularly applicable to the refining of Kazakh crude, which contains excessive amounts of sulphur (Ehteshami in Akiner *ed.* 2004: 68). The significance of this additional element would be that it contributes to the oil becoming of an inferior quality and is an additional cost to separate from the crude. Hence, in order for Kazakhstan to generate funds that will rival those found on the converse of the Caspian Sea in Azerbaijan for example, which is in possession of high quality hydrocarbons from the South Caspian Sea Basin (Auty in *Ibid*: 113), it is necessary for the country to output more product given that a lower price will be paid for inferior product. Resource nationalism therefore was

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<sup>242</sup> <http://www.ilslaunch.com/node/8> (Last Retrieved: May 28, 2013).

used to enable Kazakhstan to assert more influence over domestic hydrocarbons, especially given the output required to compete with high quality southern basin crude. The move to resource nationalism was particularly important in 2000 with the discovery of the Kashagan oil field, which claimed to be the largest discovery in the world in the past 30 years (Kalyuzhnova 2008: 80). Kashagan has also been named one of the largest fields in the world and the largest outside the Middle East (Kalyuzhnova 2008: 80). Naturally, with the immense reserves in the country and a flow of capital coming to the central government other industries declined or eventually vanished altogether in the country. Previously domestically produced products were replaced with the purchasing and importing of foreign ones. Kazakhstan lost any potential competitiveness in all sectors aside from its hydrocarbon sector. Dutch Disease took hold in the country and can be cited as a result of utilizing resource nationalism.

Similarly, the previously heavily industrialized and diversified economy of the Russian Federation has suffered symptoms of Dutch Disease derived from its rentier status. Prior to resource nationalism being implemented, Dutch Disease was already evident in the country with the privatization of Russian petroleum. IOCs were favoured over domestic Russian companies for the development of oil and gas fields with highly qualified personnel and technologically superior equipment being readily available as opposed to the inexperienced personnel and technologically inferior domestic Russian products. A decline in the overall competitiveness and industrial diversity in Russia suffered as a result of the IOC deals and the heavy investments made by Russia to the petroleum sector. Oil and gas reserves had long been extracted from Western Siberia (Labban 2008: 113) along with other natural resources in the area, such as diamonds (Tichotsky 2000). However, the ease of extraction of petroleum in addition to the sheer immensity of the reserves was far more appealing for state focus than other natural resource sectors. From 1998 to 2006 crude oil production sharply climbed in Russia from close to 6,000 bpd to over 9,000 bpd (Labban 2008: 114). By 2006 the generation of foreign revenue from the sales of oil and gas alone amounted to figures upwards of 65% in the country (Ibid). Factoring in mineral extractions would increase the figure higher. The raw materials windfall coupled with the nationalized oligarchic system in place in the country with little economic diversification have entrenched Russia to a position of rentierism. Other industries that previously existed in the country from the Soviet inheritance declined and have not been internationally competitive. A notable exception of course would be the military industry, which

is competitive on an international scale and is a global leader in arms exportations<sup>243</sup> (Figure 5.1), but lacks in quality compared to equipment manufactured by other countries such as the US and is flourishing in a status that is preventing other countries such as Iran from effective military industrialization<sup>244</sup>.

Resource nationalism then took hold in Russia, being notably steered by Vladimir Putin in 2006, who saw the concept as a means to a more successful state and was not favourable to the privatization of the petroleum sector that had been existent in the country. Hostilities ensued between some oil oligarchs and Putin, which resulted in the latter meeting more success. One instance of the exultations of Putin in this conflict would be with the subsequent jailing and exiling of the owners of Yukos, which was a petroleum company that went bankrupt in 2006 (Blank 2006: 2) and served as an example to other oligarchs that considered clashing with the regime. Putin further assisted in implementing resource nationalism through actions such as legal formalizations that was directed from the Kremlin and Duma, which banned foreign companies and Russian ventures with more than 49.5% of foreign investments from developing strategic petroleum reserves, where “strategic” is defined as a field that had more than 511 m barrels and more of crude oil or 50 billion cubic meters (BCM) and more of natural gas (Blank 2006: 3). Moscow then implemented a series of taxing policies that created an environment of investment apprehension for attracting foreign monies. However, even after resource nationalism was implemented in the country, Dutch Disease is still evident and Russia is dependent upon sales of raw materials for the majority of its GDP. Rather than facilitate domestic Russian companies to upgrade their equipment and develop research to eventually compete with IOCs, such as was the case with Norway, the interpretation of resource nationalism that was manifested kept Russia in a status of rentierism and Dutch Disease.

### *Redefining Rentierism:*

The case of Russia provides an interesting direction for the conceptualization of rentierism, which has conceptual implications for resource nationalism. Russia commands

<sup>243</sup> [http://www.sipri.org/googlemaps/2014\\_of\\_at\\_top\\_20\\_exp\\_map.html](http://www.sipri.org/googlemaps/2014_of_at_top_20_exp_map.html)

<sup>244</sup> [http://www.sipri.org/databases/embargoes/un\\_arms\\_embargoes/iran/un-arms-embargo-on-iran-pdf](http://www.sipri.org/databases/embargoes/un_arms_embargoes/iran/un-arms-embargo-on-iran-pdf) (Last Retrieved: June 13, 2013), <http://www.un.org/sc/committees/1737/> (Last Retrieved: June 13, 2013), and (No Author Indicated). (2012). “Iran: Sanctions Halt Long-Range Ballistic-Missile Development” in *Strategic Comments*. Available online: <http://www.iiss.org/en/publications/strategic%20comments/sections/2012-bb59/iran--sanctions-halt-long-range-ballistic-missile-development-47a2> (Last Retrieved: July 12, 2012).

significant global influence and exercises its international power beyond the boundaries of the former Soviet Union such as with its contributions to the Al Assad regime in Syria. The economy is certainly not self-sufficient or self-reliant as its low economic diversification theoretically limits its power as a rentier state to a subservient economy that is dependent upon foreign investments. However, Russia is able to project its global standing to the point of influencing geopolitical outcomes despite being a rentier state. Therefore, perception of rentierism being attached or associated with weakness or reticence can in fact be dismissed. While there has not been an explicit referencing or understanding of rentierism as having a correlation with state power, particularly an affinity with weakness, the term has been used quite often with respect to developing economies that are in a “renter” position with other “landlord” states, such as those with powerful and developed economies. Although Russia maintains a renter status, it is a powerful state nonetheless. It has expressed symptoms of Dutch Disease, yet remains a worldwide commanding authority that is able to counter other industrialized economies such as those in Western Europe. However, Russia has also been demonstrated in to being an irresponsible state that is capable of formidable aggression and ferocious belligerence, as evidenced with the intervention in the Karabakh War in the 1990s (de Waal 2003 and Nuriyev 2007: 164) and the 2008 invasion of Georgia<sup>245</sup>. This is not to say that Russia should be regarded as a successful rentier state but rather one that illustrates the potential for a rentier state utilizing resource nationalism to project significant international force and exercise leverage, albeit at the potential cost of appearing reckless towards international security. Similarly, the case studies are able to do so through means such as proxy warfare but differ than the Russian model since the domestic military production capabilities are much lower. What then is the element of redefining rentierism that is involved with a potential fault in resource nationalism? Essentially, the flaw would be having resource nationalism assist in the production of a globally-capable rentier state with military competencies that is irresponsible in its domestic and/or international behaviour.

Petroleum revenue generated from the exportations of raw materials are not directed towards the development and betterment of the population, rather Russia maintains an unstable and moreover undesirable model of nominal resource nationalism in a predominantly oligarchic structure. Extremes of wealth and poverty exist in the country with over 30% of state funds being

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<sup>245</sup> King, C. (2008). “The Five-Day War” in *Foreign Affairs* (November/December). Available online: <http://www.foreignaffairs.com/articles/64602/charles-king/the-five-day-war> (Last Retrieved: October 15, 2013).

held between 110 Russian citizens<sup>246</sup>. Moreover, the corrupt and disorganized infrastructure of the country has not focused significant funds towards sectors such as education, which is in stark contrast to Nordic countries that are in the geographic vicinity of Russia and is a keystone that has assisted in the diversification as well as development of Nordic economies. Other institutionalized deficiencies that are existent within the country would be the lack of public services for the population such as health care.

In sum, having a world power with such frameworks is potentially dangerous to global security. Rentier states, particularly ones with poorly structured and managed economies, can be reckless. Partially, this could be credited to the dependency on foreign capital for sustenance, which is something that cannot be afforded to be lost, perhaps even at the cost of military engagement. While Russia has not thus far necessarily demonstrated absolute recklessness in its international behaviour, there have certainly been actions that are at the very least controversial and negligent, such as facilitating ethnic conflict throughout the entire Caucasus, such as in Armenia (de Waal 2003), Azerbaijan (Nuriyev 2007: 164), Chechnya (Karagiannis 2002), Dagestan (Nuriyev 2007: 223), and Georgia<sup>247</sup>. The Caucasus of course geographically contains coveted petroleum transportation routes (Karagiannis 2002: 9 and Antonenko in Akiner *ed.* 2004: 257) as well as access to high quality South Caspian Sea oil in Azerbaijan (Auty in *Ibid.* 113).

### *Reconceptualising Resource Wars:*

A brief point must also be covered on the notion of resource wars, which has been described as violent conflict over the access to natural resources (Klare 2002) when discussing shortcomings of resource nationalism. Following in the understanding of resource wars, the role resource nationalism would have would be facilitating the claims towards natural resources that entities make. However, resource nationalism can extend beyond the traditional understanding of warfare as a physical violent contest between parties to being a more clandestine and subtle form of interstate economic conflict that was covered in the previous chapter. Yet, there is also a

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<sup>246</sup> Taylor, A. (2013). "Putting Russia's Unparalleled Wealth Disparity in Perspective". Available online: <http://www.businessinsider.com/putting-russias-unparalleled-wealth-disparity-in-perspective-2013-10> (Last Retrieved: October 15, 2013). Credit Suisse Global Wealth Report 2013 Available online: <https://www.credit-suisse.com/ch/en/news-and-expertise/research/credit-suisse-research-institute/publications.html> (Last Retrieved: October 15, 2013).

<sup>247</sup> King, C. (2008). "The Five-Day War" in *Foreign Affairs* (November/December). Available online: <http://www.foreignaffairs.com/articles/64602/charles-king/the-five-day-war> (Last Retrieved: October 15, 2013).

supplementary view towards reconceptualising resource wars in a novel perspective, which would be on the ideological level for the rights to natural resources. A developing example would be in South Sudan, where there is inter-ethnic competition to assert dominance and control over the rights to natural resources in the country. Major ethnic groups in this conflict would be the Azande, Bari, Dinka, Nuer, and Shilluk; of which the Dinka have assumed the position of *de jure* ruling political authority of the country, which gained independence in 2011<sup>248</sup>. Each group not only seeks to assert control over natural resources located within their own traditional areas of inhabitancy but also expands to territory that include areas which are not traditionally associated with a respective ethnic group at all. Resource nationalism is used by each ethnic group on a national level rather than on a state level although the ruling Dinka under the leadership of Salva Kiir have nominally declared that natural resources belong to the country.

#### *A Catalyst to Conflict:*

Naturally, it is a shortcoming for a concept to potentially facilitate conflict in any sense and on a series of levels. In the vein, the possibility of resource nationalism serving as a catalyst to engagements should also be observed. Aside from the possibility of spurring resource wars, from the case studies it can be witnessed that there is potential for destructive interstate competition to occur. A country, such as Iran, would implement a policy of resource nationalism and lay claim to natural resources located within sovereign territorial domain. In another country, such as the UAE, there would be a likewise implementation of resource nationalism as well but for the sake of countering Iranian claim to natural resources. With both countries vying for control of raw commodities, a clash over contested natural resources was only bound to occur as with the Abu Musa and Tunb Islands, which could be argued from several points of natural resources such as land, water, or any potential hydrocarbons around the landmasses. Iran affirmed control over the Abu Musa and Tunb Islands and there have been continued tensions between the countries over the status of the islands, which has repeatedly been called into question by not only the UAE but also by summits held by the GCC<sup>249</sup>.

<sup>248</sup> <http://www.bbc.co.uk/news/world-africa-12379431> (Last retrieved: February 12, 2012).

<sup>249</sup> Sambidge, A. (2012). "GCC Throws Weights Behind UAE over Abu Musa" in *Arabian Business*. Available online: <http://www.arabianbusiness.com/gcc-throws-weight-behind-uae-over-abu-musa-454351.html> (May 28, 2013).

A supplementary instance of resource nationalism being a catalyst to conflict would be with the potential applicability of the concept towards the fuelling of war and the production of a “war economy” (Le Billon 2003b: 35). Nationalizing natural resources apart from the central government or ruling authority can transpire in conflict and be used to escalate confrontation with the selling of materials for the funding of combative activities. Examples of such occurrences can be found across the world such as in Angola with the National Union for the Total Independence of Angola (UNITA) generating upwards of 3 billion USD to sustain war efforts against the Popular Movement for the Liberation of Angola (MPLA) in the 1990s via diamond exploitation, Sierra Leone with similar exploitations of alluvial gemstones inclusive of diamonds generating potentially hundreds of millions of USD for the Revolutionary United Front (RUF) to wage war on the central government in the 1990s, Cambodia under the Khmer Rouge with the sales of sapphires and rubies in the 1970s, and Afghanistan with Ahmad Shah Massoud of the United Islamic Front gaining revenue from the sales of emeralds and lapis lazuli to sustain war efforts against the USSR and successive Taliban (Ibid: 34 – 35). Precious metals such as gold have also held presence in the funding of a war economy, visibly for example with the Kabila-led rebel movement against the Sese Seko regime (Ibid: 35). Gold continues to have a role in the financing of numerous armed groups operating in the DRC (Ibid). In the Caucasus, ethnic Armenians have been able to sustain a war economy in Karabakh through the sales of natural resources inclusive of iron ore, copper, and gold<sup>250</sup>. With increased international demand for natural resources the raw materials are converted to amplified priced commodities, signifying higher costs paid for natural resources with even more money being directed towards not only central governments but armed groups as well. For example, the Rwandan army controlling most of the area during the civil war have reportedly received upwards of 20 million USD a month at a peak of international demand, according to a UN expert panel dedicated to investigating the role of natural resource sales in association with armed conflict, which can certainly contribute greatly towards a war effort, whether towards the central government or rebel groups (Le Billon 2003b: 35). Indeed, funds generated from the sales of progressively demanded natural resources can be substantial enough to conduct armed operations and sustain long as well as drawn-out conflicts with heightened levels of insurgency, should rebel groups be involved.

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<sup>250</sup> <http://www.bm.am/en/about/history.htm> (Last Retrieved June 14, 2013).



Aside from prospective applications of resource nationalism to sustaining a war economy, the notion can additionally create ethnic tensions depending on the interpretation of the concept, as was demonstrated with Iran, Saudi Arabia, and the UAE. However, the claim can also be illustrated outside of the regional with Namibia and the diamond industry (Le Billon 2012: 111). The South-West Africa People's Organisation (SWAPO) were struggling against apartheid South Africa and had claimed all territory and natural resources by association within the area to be property of the nations comprising SWAPO (Ibid). Prior to the efforts of SWAPO against apartheid, German colonialists asserted claim over diamond resources in the same area following genocide on the Herero (Ibid). While in both time periods the diamonds were unable to be effectively mined or accessed for an economic line to be set, thereby dismissing the possibility of a war economy, the claims over natural resources in the territory of what is now Namibia demonstrated the capability of resource nationalism being utilized as a catalyst towards ethnic tensions and conflict.

### *Investment Trepidation:*

Resource nationalism has been conspicuously viewed as contrary to the interests of foreign companies and investors, perceiving the utilization of the concept as a high risk environment for business profitability. There is a perceived imbalance of control over investments with host countries appearing to have more assertion over funds in joint ventures with foreign companies. For such a reason, resource nationalism has been credited with the enabling of an unattractive international investment environment.

A striking example illustrating the fears of a worst case scenario in which foreign investors are at the whim of a host country can be observed in the dispute between Russia and Shell in 2007 over projects in Sakhalin<sup>251</sup>. In 1996 a technologically inferior Russia signed a PSA with the IOC to extract petroleum from the island with a majority stake in the reserves (Ibid). Many observers to the PSA note that the contract was inherently unfair and abusive towards Russia, which was in dire need of capital following the collapse of the USSR (Ibid). Details of the agreement included Shell via the Sakhalin Energy Investment Corporation being able to recoup all losses invested in Sakhalin projects plus a 17.5% rate of return before Russia

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<sup>251</sup> Lustgarten, A. (2007). "Shell Shakedown". Available online: [http://archive.fortune.com/magazines/fortune/fortune\\_archive/2007/02/05/8399125/index.htm](http://archive.fortune.com/magazines/fortune/fortune_archive/2007/02/05/8399125/index.htm) (Last Retrieved: March 1, 2011).

would even see its 10% share of petroleum (Ibid). Shell additionally operated and behaved irresponsibly with extraction activities undertaken in Sakhalin. An atrocious safety record, disregard for the well-being of the local population, failure to meet expectations of building new facilities such as roads and schools, a fuel spill in the third largest city on the island, and additional environmental concerns such as endangering whales caused resentment towards the IOC. Frustrations were eventually equally expressed from the Putin regime to the IOC that resulted in Shell being forced to half its 55% ownership (Ibid). Gazprom bought not only the 27.5% of shares from Shell but also half of the stakes from other Japanese partners, namely Mitsui and Mitsubishi (Ibid). Foreign companies were additionally expected to acquire the \$3.6 billion USD of project setbacks, which was accepted in order to maintain shares. In this dispute, Shell was not able to bargain from a position of power given their poor record of operations in Sakhalin and more so given that in resource nationalism when a government deems that it is the inherent right for the country to assert more control over its natural resources, foreign investments are subject to a weaker role. Russia exercised the power of resource nationalism with suddenly revoking permits and delaying work on pipelines to the massive LNG terminal and oil exportation facility on Sakhalin while simultaneously supporting environmentalists. Coupled with a threat from Russia for a \$50 billion USD lawsuit, Shell was positioned to lose more than just half its shares.

Neighbouring Kazakhstan, viewing the success met with the usage of resource nationalism in Russia, was feared by IOCs to be tempted to utilize the concept for advantageous profitability over foreign investments as well as asserting more control over domestic projects. Japan was prompted to caution Kazakhstan against such a policy and warned against a global spread of the concept<sup>252</sup>. Economic credibility was cited as a reason against using resource nationalism in a similar fashion since contracts can be left unfulfilled and could in a sense be disregarded as contracts altogether given that there could be sudden changes that would alter an agreement to the point of dismissal (Ibid).

The Russian victory in the dispute with a major IOC as impressive as Shell created an aura of investment fear for existing ventures that was established around the world. It also assisted in the hesitation of future engagements of foreign companies with host countries

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<sup>252</sup> Tsukimori, O. and Kamada. (2007). "Japan Cautions Against Resource Nationalism". Available online: <http://www.reuters.com/article/2007/08/28/us-japan-cabinet-trade-interview-idUST18421820070828> (Last Retrieved: May 13, 2012).

utilizing a policy of resource nationalism, stretching to industries beyond petroleum and IOCs. Long-held industry fears were vivified with the Sakhalin scenario and any limitation on attracting foreign investments to a country can be regarded as a shortcoming indeed.

*Additional Vulnerabilities:*

Resource nationalism has been viewed as a risk to international investments and is perceivably invulnerable to foreign influence. However, this is certainly not the case and resource nationalism, like all frameworks and theories, does retain areas of vulnerabilities.

While Russia has previously exercised its ability to exert control over its natural resources to bring an international supermajor into submission and Norway has structured its manifestation in such a manner that it would symbiotically rise in tandem with IOCs benefitting from petroleum extractions, there are cases in which the framework has been extremely susceptible to external forces. A striking example would be with Kuwait and Dow Chemicals. Towards the end of 2008 on the eve of the 2009 global financial crisis Kuwait cancelled a \$17 billion joint venture deal with Dow to form K-Dow Petrochemicals<sup>253</sup>. The joint venture, known as K-Dow Petrochemicals, was awaiting a \$7.5 billion payment from Kuwait and would assist Dow in not only reducing its exposure to the recurring nature of the commodity chemicals industry but also enabling Dow to acquire Rohm & Haas, a leading manufacturer of chemical manufacturing (Ibid). Prior to cancellation, the value of the proposed venture was slashed by 8% to \$17.4 billion but Kuwaiti lawmakers believed that due to a sharp drop in global demand and a deceleration of international markets, the venture would not be in the best interest of the country to pursue (Ibid). Indeed, global recessions damaged developed economies and hindered growth in emerging ones (Ibid). Hence, the deal was cancelled and Dow was seemingly left abandoned as well as without option. However, Dow sued the Kuwaiti Petrochemical Industries Company, which is a unit of the state-owned Petroleum Corporation, and was awarded a settlement of \$2.19 billion cash<sup>254</sup>. While this is a small settlement considering the magnitude of funds addressed, the payment is not a pittance and the point of foreign entities reigning resource nationalism is

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<sup>253</sup> Laessing, U. (2008). "Kuwait Cancels \$17 Billion Deal with Dow Chemical," in *Reuters*. Available online: <http://www.reuters.com/article/2008/12/29/us-kuwait-dow-idUSTRE4BR1M920081229> (Last Retrieved: February 2, 2011).

<sup>254</sup> Kaskey, J. (2013). "Dow Chemical Gets \$2.2 Billion for Canceled Kuwait Deal," in *Bloomberg*. Available online: <http://www.bloomberg.com/news/2013-05-07/dow-chemical-gets-2-2-billion-for-canceled-kuwait-deal.html> (Last Retrieved: June 10, 2013).

demonstrated. Of course, it certainly depends on where the court case is held on presumption that a host country will never rule against itself, but it is possible to exploit vulnerability. Another relates to the case study of Iran in that international sanctions can have a dire effect upon the economy even with resource nationalism in place. Concerning Iran, which has not only a state policy of resource nationalism but also constitutional guarantees of natural resource management, corruption has been able to thrive to the point of international exposure. Alienation from accessing foreign markets and an unwillingness to engage with international companies as well as investors rendered resource nationalism in Iran feeble. Even during the administration of President Mohammad Khatami from 1997 – 2005 there came a compromise on resource nationalism in Iran in the most technical of senses in that Iran licensed fields away to foreign investors but with the reservation of a buyback option that would essentially return material rights to Iran. Corruption was additionally a problem that festered as well as unemployment remaining high.

Depending on the political structure of a state, resource nationalism can even potentially lead the country down a highly unstable path and not produce the security of stability presumably inherent to the framework. For example, in autocratic systems like in Saudi Arabia there is incredible focus on the pinnacle of society, namely, the king. The position of the king should not be underestimated in that in reality there is a personality that is in need to addressing rather than a collective entity and elite. One of the challenges in having a monarch or singular authoritative figure would be that there could be difficulties in accessing the individual, which could limit investments to flourish in the domain. Another would be that development can be slower with a single head regulating growth. The psychological aspects of rulers are yet another dimension of potential complications that could positively but also negatively impact the outcome of resource nationalism and proves to be a serious weakness given the significance of risk open for adversity. The issues experienced with autocratic authorities in Saudi Arabia can be analogously applied to the UAE as well albeit with additional scopes for each emirate.

Other areas of vulnerability have already been identified by conventional research. One such example would be the resource curse, which is the situation in which countries and regions with an abundance of natural resources tend to exhibit less economic growth and development than countries with less natural resources<sup>255</sup>. The resource curse can be viewed as the spiritual

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<sup>255</sup> See Auty, R. (1993). *Sustaining Development in Mineral Economies*. London and New York: Routledge.

antithesis of resource nationalism but it can indeed be the case that the framework can result in such an outcome. Naturally, there are a number of conditions and factors that determine what in fact has led to the resource curse. But regardless of analysis and conclusion, what can be established is that resource exporters there is a concentrated dependency on a resource or set of resources capable of generating extraordinary funds to the state (Karl 1997: 48).

Another weak point would be not just corruption but the circumstances where corruption is able to proliferate in a system. Depending on the state interpretation and manifestation, there are a number of avenues in which corruption can settle. In Mozambique, resource nationalism has been used for exclusive political gains in which the president manages coal and natural gas wealth for benefit not necessarily in line with the interests of the state or population<sup>256</sup>. Uncontrolled or unregulated spending can additionally lead to foreign borrowing, which once again leads a state to a weakened economic stance that is submissive to the lenders.

Vulnerabilities in resource nationalism can also become exemplified in products of the framework such as with SWFs demonstrating mismanagement and uneven distributions of funds. With distributions of state-owned natural resource generated capital being even perceivably unfair, that is an impairment that can be critically disadvantageous to the host state.

Depending on state interpretation and manifestation, resource nationalism can be beneficial like in the Nordic models. Yet, the vast majority of states utilizing the framework exhibit common characteristics of despotic rule, autocracy, corruption, and institutionalized deficiencies. While citing successful outcomes such as with Finland, Norway, and Sweden shows the potential of positive impact for resource nationalism, such models appear to be outliers with emerging economies being inclined to expressing vulnerabilities of the framework. However, expression of vulnerabilities does not only occur in emerging economies and developed ones can experience the tremors of weaknesses from resource nationalism. The Netherlands with Dutch Disease for example proved that even leading economies are not infallible to the damage that can be wrought by the framework.

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<sup>256</sup> <http://www.stratfor.com/analysis/mozambique-president-managing-coal-and-natural-gas-political-gains> (Last Retrieved: October 3, 2012).

### ***Deproblemizing Resource Nationalism:***

Simply due to the fact that there are fallacies with a framework does not signify that there cannot be rectifications or solutions to its shortcomings. A starting point for the deproblematization of resource nationalism would be in its terminology. Clarifying and clearly defining the definitions and understandings of the framework components that make up resource nationalism creates logical as well as comprehensible structure; rather than having simultaneous definitions and understandings competing with each other to the point of obscuring the concept to a state of contradiction and illogical conclusion. In sum, elucidating terminology of the state, nations, nationalism, and ethnicity assists in the consistency of resource nationalism; which can produce a model that can be more easily directed and addressed given its organisation. In this vein, it is also vital to note that following an understanding, it is important to not constantly shift or change the understandings of the concepts. Failure to adhere to this premise results in confusion and contradiction that is evidenced in the identity crisis experienced by the UAE.

### ***The Masquerade of Nationalism:***

Within the case studies, Saudi Arabia and the UAE are newly developing nations that have been invented within the past century and few decades, respectively. The idea of the nation is not as established or evolved as that of Iran and therefore is prone to challenge as well as intimidation as far as legitimacy of establishment is concerned. Iran for example has been one of the most continuously assertive nations in history and stretches over millennia to civilizations inhabiting the Iranian plateau and can be argued even further back to Aryan movements. Saudi Arabia though has been structured from the singular personality of Abdulaziz Al Saud from 1932 onwards whereas the UAE has distributed its concept of nationhood between seven sheikhs from 1972 onwards. Therefore, when facing a neighbour such as Iran, which has had territory and its nation inhabiting the entire coast of the Arabian Peninsula at many intervals throughout history, it is important to the Arabian countries to preserve the integrity of not only their state borders but nationhood as well.

Ultrnationalism can thrive in such a tense environment and has already done so in many of the countries following the dissolution of the USSR with Armenia, Azerbaijan, Georgia, Russia, Kazakhstan, and Kyrgyzstan as select examples. Similarly, in Saudi Arabia and the UAE there is platform for ultrnationalism to take place. Emiratisation for example is based on the

notion of uniformity and equation with Arabization, which can be interpreted as a form of fascism albeit without any violent undertone that was present in the Nazi Germany. Nonetheless, controlling the possibility of ultranationalism is vital to deproblemizing resource nationalism. Certainly, there is a ludicrous and cynical element to fervent nationalism in the GCC with the exception of Oman given the newness of the nations to the international system as well as the invented histories proposed to solidify national zeal. However, it can prove to be a serious issue to contend with. Therefore, a solution to the situation is needed in order to responsibly manage any potential harm that may occur.

Adopting or at least accepting multi-nationalism as an approach can easily subdue ultranationalism and would benefit countries such as Saudi Arabia as well as the UAE. Nationalism can be obviously used as a political tool rather than demonstrate the spirituality of idealism. Veering away from extremes negates potential backfire that can occur.

#### *Transparency and Communication:*

Transparency is also pivotally important when concerning the monies generated from resource nationalism, especially with by-products of the framework such as with SWFs as well as other investment vehicles and company subsidiaries. Communicating the framework conceptually to the population is likewise crucial so that awareness of the economy and politics creates an atmosphere of inclusion rather than exclusion, which is particularly relevant for many ethnic groups that may reside in areas of extractions. Alternative pathways instead of resource nationalism are not really existent and the popularity of the framework is only increasing so having transparency and effective communication is vital to future successes. There is no point in attempting to safeguard or limit revenue gained from natural resource sales entirely from the population or reduce its distribution to select circles and elite because that would only be worsening and weakening future positions as well as powers of the ruling elite. Knowing that an economy based entirely off of natural resources is weaker than an industrialised one is imperative to recognising the unreasonable nature of trying to keep a state in such a model. While there may be difficulties in translating resource nationalism to industrialisation, possessing a transparent system as well as means of effective communication can assist in coordinating resolutions rather than devolve into violence or tensions. Both elements can additionally assist in the attraction of foreign investments since security is provided with transparency and

communication. Already, IOCs operating in host countries have begun to recognize the benefits of communication and do so with the population through more constructive means such as setting up schools, building roads, and detailing the earnings versus expenditure on the population.

*Attracting Intrepid Investments:*

Abating investment trepidations to attract foreign funds is essential to the development of emerging economies as well as the furthering of developed ones and should not be deterred. Harsh terms dictated to international investors by host countries will only create an aura of antipathy and possibly even turn away funds altogether. Therefore, demonstrating characteristics facilitative of an active and vigorous investment environment that does not bear discrimination against foreigners is critical to the progression of the natural resource sector of the host. For example, in Norway the demands placed on IOCs seeking hydrocarbon extractions were considered modest as well as predictable, especially in contrast to other emerging economies at the time that imposed punitive measures on investors (Bayulgen 2010: 193). Moreover, there were fluctuations in government demands over IOCs that were correlated with oil prices rather than a set percentage of tax (Ibid). When oil prices rose, the government raised taxes and when there were falls the government lowered them accordingly (Ibid). The accommodating and engaged action with the IOCs that was transparent as well as communicated to the population was well-received. The lack of aggression in taxation against foreign companies that would allow the Norwegian government to accrue high rents was appreciated by IOCs, which viewed the government as cooperative and hospitable rather than combative and xenophobic. The taxes were also not discriminatory against foreign companies since it was equally applied to domestic companies as well (Ibid). Economic incentives such as IOCs being able to deduct on much oil-related expenditures if explorations were to occur on the Norwegian continental shelf attracted even more firmly grounded dealings with the government (Ibid: 194). Flexibility in adjusting to the markets was a lively but profitable experience for the Norwegians.

Administrative clarity and consistency helped regulate the stability of the investment environment while also cajoling IOCs to accept investment terms even when less favourable (Ibid). Basically, every company did know that it was going to be taxed but being able to predict by how much was reassuring enough for the companies to operate in the area (Ibid: 195). Heavy



competition present would entail that either companies would join or be excluded from deals. Needless to mention, the elements of transparency and communication were ever-present. Consultation and debates on hydrocarbon affairs provided regular exchanges of information between administrators and businesses, which created understanding on policy issues (Ibid). Negotiation channels, governmental access, and effective conflict-resolution mechanisms in place gave IOCs the means to ensure long-term project profitability in addition to a mutually content population (Ibid).

In essence, despite implementing resource nationalism a host country is undoubtedly able to attract foreign investments and capitalize on their natural resources in a mutually beneficial manner. It is always profitable when all parties are gratified and creates the means for which future ventures can be conducted as well.

#### *The Recognition of Vulnerability:*

It is important to remove the arrogance from host countries utilising resource nationalism in its behaviour towards the international system. Resource nationalism as exemplified with the Kuwaiti case with Dow is one of the many instances in which the framework has been rendered powerless. Foreign investments will not occur with fluidity should the host be aggressive or belligerent in its economic behaviour with financiers. Similarly, the constant threat of license revocation or venture breakdowns is unacceptable after a particular threshold. After all, business deals and contracts must be honoured and the excuse of resource nationalism for unfulfilling duties is objectionable. Identifying with the idea that like all frameworks there are weaknesses, host countries can proceed with more responsible conviction when engaging the international system.

#### *The Tactical Management of Deficiencies:*

Strategically targeting and addressing the shortcomings of resource nationalism for resolutions enables the framework to produce positive outcomes rather than be caught in a detrimental cycle. Already, solutions inclusive of greater communication for the successful understanding of a model for the benefit of a population as well as institution-building for transparency and the preservation of wealth for future generations have all been cited with elucidation. However, region-specific issues such as the *bidoon* and migratory labour within the

case studies and by extension many other countries in the international system can remain in technicality. Thusly, there are additional solutions that assist in the management of deficiencies.

*Adaptable System of Governance:*

The Norwegian case has exemplified a successful tactic that will be of undoubted importance to other regimes utilizing resource nationalism. Adapting to external conditions and compromising is not a sign of desperation since policies can always be changed in a flexible system of governance. Coupled with the transparency and communication elements proposed earlier, adjustability can in fact be more exciting and engaging with investors in that there will always be a need for constant communication. While fiscal notions have been discussed, the adaptable system of governance can also be used for political amelioration. In this respect, it will be more difficult for dictatorial and authoritarian regimes to be accommodating to flexibility since it is equated with malleability that could be contrary to ruling temperaments. That is not to say that authoritarian regimes must experience complete upheaval however, but there certainly can be reformations and implementations that would benefit the overall system better than without the effective political mechanisms.

*Controlling Prosperity and Directing the Affluence:*

Resource nationalism can result in extraordinary wealth, which accumulates directly to the state. Rents are not mediated with domestic private actors and the host country is consequently inclined towards distributive traits, meaning that economic power rests on the capability to extract rents and allocate proceeds (Karl 1997: 48 – 49). From the state, nationalist ideology is heavily affected by apportionment as is the nation and the ethnicities inhabiting the territory. Controlling sudden and extreme opulence is important to not create instability or facilitate tensions. This is particularly relevant with economic booms in which affluence reaches newfound heights. While booms can increase demands for economic diversification to even further advance the rising economy, it is not necessarily the best path to traverse in the earliest stages of the boom. It has been argued that planning, efficiency, and effective allocation is most crucial during the boom period, which can lead to economic diversification but only on the condition that productive energies are not shifted away from responsibilities (Ibid: 67). It is often

the case that booms create greater dependency on natural resource revenue and while there is the illusion that exporters have gained autonomy, it has actually brought economies into reliance (Ibid). Indeed, booms can create the grounds for future crises, which is the unique dilemma of the host country (Ibid).

However, rent-seeking behaviour and its consequences have been avoided in Norway with the state resisting the temptation to spend massive petroleum funds to shield the economy from hyperinflation and currency appreciation that did begin to affect domestic industries (Bayulgen 2010: 2008 – 2009). The government heavily subsidized industries such as shipbuilding, fisheries, agriculture, farming, and textiles with \$14 billion between 1973 and 1980 (Ibid and Andersen 1993: 144). The Petroleum Fund was then established in 1990 in an effort to invest petroleum revenue in foreign securities once the subsidized industries stabilized and were able to develop without direct governmental intervention (Bayulgen 2010: 208 – 209). To evade politicization of the Petroleum Fund, it was moved from the Ministry of Finance to the Central Bank of Norway in 1999, which contributed to the long-term vision of saving a portion of revenues in the fund to safeguard it for future generations (Ibid). Indeed, directing prosperity from the government to stabilize, diversify, and burgeon is an avenue that all states utilizing resource nationalism can benefit from.

#### *The State in Responsibility:*

At times, particularly with authoritarian regimes utilizing resource nationalism, there is a confusion or vagueness between personal and state interests. In Venezuela during the Gomez regime for instance, petroleum was a means for affirming authority in his presidency, maintaining stability, removing power from the caudillos, and enriching himself as well as his associates (Karl 1997: 77). Questions arise as to whether such actions were in the interests of the state or out of personal predisposition or even the possibility of whether the two are synonymous. The conflict between state and personal interests is not a unique scenario to resource nationalism but does highlight one of the many contests in which the state regardless of political structure should be held in responsibility.

In the case of Gomez, the role of the presidency was analogous to that of a monarch given his *de facto* powers of authority and while there may be interpretations of the state behaving irresponsibly through the direction of funds to Gomez and his circle, there were

significant advancements that occurred in the country because of his actions. It is established that petroleum funds were used to encourage predation and patronage in Venezuela during this period, but is also enhanced stability in the area and it is also established that funds were also used to protect Gomez from tensions that led to the downfall of other rulers (Ibid: 79 – 80). But, it should also be noted that government revenues increased nearly threefold at an annual rate of 14.9% during the 1920 – 1929 period and governmental expenditures increased as well (Ibid). Therefore, while Gomez was effectively a dictator, he was also a leader that provided many benefits to the state. The controversial status is open to opinion but it is undeniable that the positive actions have weighed heavily to such an extent that it cannot be denied that the state has acted with a degree of responsibility.

Good governance is also a vital characteristic to display when concerning responsibility. The notion entails a broad range of ideas that does not amount to a singular defined understanding (Najem in Najem and Hetherington (eds.) 2003: 3 – 4), but rather demonstrates characteristics such as “economic liberalization, creation of market-friendly environments, transparency and accountability with respect to both economic and political decision-making, political liberalization, the rule of law, and [the] elimination of corruption” (Ibid: 25). While the understanding is very wide as proposed, the pervasive usage of the concept, particularly within a diverse international system, necessitates such a working definition (Ibid). Some elements of the notion have already been reviewed but results of good governance can be elaborated. For example, in a theoretical setting, good governance can be used to escape a resource curse. Responsible states demonstrating good governance can extricate themselves from the viciously detrimental cycle through constructive efforts. While Norway could have fallen into the cycle, it instead implemented conservative spending measures and focused on collectively involving the population to salvage and revive domestic industries in an effort to abide by the full employment policy. Other countries that are in a resource curse that have been unable to remove themselves from the insolvency have always been unable to demonstrate good governance.

Other responsible measures would be holding open, rational, and informed debates about hydrocarbon policies, which can assist in producing agreeable accord (Kaldor, Karl, and Said in Kaldor, Karl, and Said *eds.*, 2007: 279). It is often the case that countries do not hold debates regarding the policies to be implemented and if there is one, the informational aspect is lacking since majority of the public would not be able to understand complex terminology or issues that

may arise in implementing one policy over another (Ibid: 279). Consequential impacts of policies in particular should be observed. By getting the public to generally understand the nature of the policies and factors of the natural resource industries, it would be reasonable to extrapolate that the population would be more understanding towards governmental actions, should their input and concerns genuinely be taken into consideration. Furthermore, it would enable the public to better understand resource management practices that have been adopted within the state. Another constructive measure would be to involve the population with debates that could prove beneficial to the relationship the citizens have with their government, regardless of political structure. Ideally, involving citizens that do not have ulterior or concealed motivations, such as elections, would significantly reduce biases that may be incorporated into policymaking and debates (Ibid: 280). Operating in transparency to a certain degree may also be favourable in that the population would become more comfortable with the activities of the many institutions in the country such as the NOCs, where transparency is understood as publically accessible information of payment transactions to the governments by foreign companies (Ibid). Such visibility could offer more regulated control and eliminate loopholes that can be used by corrupt entities to funnel revenues away from the government (Ibid). In this vein, a publically accessible publication of the national revenue expenditure would also assist in the lessening of corruption. Of course, operating in absolute transparency without regulation of what information is released could result in additional tensions should certain groups learn about specific actions such as a disregard of expenditure in particular areas inhabited by minority ethnicities. Moreover, state accountability should be prioritized, especially with systems where natural resources are heavily politicized since tensions can easily fester in such conditions. Boundaries of accountability must be clearly demarked and steadfast, inclusive of all members and entities in society, with formal proceedings that are visible to the population so that active engagement on behalf of the state can be witnessed (Ibid: 280 – 281). Norway implemented such measures, which resulted in preventing symptoms of Dutch Disease and effectively turning petroleum into simply another raw material, albeit with a high price attached to it (Bayulgen 2010: 215 and Karl 1997: 221).

### ***The Continued Proliferation of Resource Nationalism:***

The increasingly popularity of resource nationalism exhibits a positive trajectory as well as future dominance of the framework in the international system, especially with regards to the

implementation of nationalized companies, such as NOCs. Already, firms such as Ernst & Young have dedicated efforts into investigating and understanding the framework as well as its implications<sup>257</sup>. A constructive application that has been prompted by research done at the firm would be the view that resource nationalism extends beyond the extraction of petroleum and is applicable to other natural resources as well, especially in the mining sector<sup>258</sup>, which is not a commonly shared outlook of the framework despite being more relevant. However, for a series of risk evaluations, Ernst & Young has placed resource nationalism as the number one risk for miners<sup>259</sup>. The term “risk” of course is subjective. Maplecroft for example has created a resource nationalism index, which quantifies risk and is then ranked and valued on a 10-point scale. Yet, the definition of resource nationalism utilized by Maplecroft as well as its quantifying of risk can be put into question. For example, in 2012 the organisation placed countries such as Iran similarly was placed in an extreme risk category, Russia was placed in the high risk category whereas countries such Venezuela as well as the case studies of Saudi Arabia and the UAE were placed in a medium risk category (Figure 5.2). With regards to Russia, Saudi Arabia, the UAE, and Venezuela all countries have already implemented resource nationalism though, therefore placing such countries in different categories is nonsensical. Furthermore, Iran has been placed in the extreme risk category but has been quite publically utilizing the framework for decades. Hence, if “extreme risk” were to be equated with “implementation” then Russia, Saudi Arabia, and the UAE should also be included in the category. Should the categories be more so equated with inclination towards the framework, then once again none of the categorizations would make sense. A subsequent evaluation in 2014 though shifted Iran to a medium risk category and Venezuela to the extreme risk (Figure 5.3). The evaluations demonstrate an unclear and inconsistent understanding of the framework. However, a point that can be gathered from a global outlook without following the risk quantification by Maplecroft would be that there are a number of countries that have already implemented resource nationalism or are inclined to doing so.

Africa for example is host to a number of terminable natural resources that would be beneficial for countries in the continent to nationalize (Figure 5.4). Indeed, prospects of resource

<sup>257</sup> <http://www.ey.com/CA/en/Newsroom/PR-activities/Articles/2010-CMJ-Resource-Nationalism>.

<sup>258</sup> <http://www.ey.com/GL/en/Industries/Mining---Metals/Mining-Metals-our-videos---Resource-nationalism>

<sup>259</sup> [http://www.ey.com/GL/en/Newsroom/News-releases/News\\_Resource-nationalism-remains-number-one-risk-for-miners](http://www.ey.com/GL/en/Newsroom/News-releases/News_Resource-nationalism-remains-number-one-risk-for-miners)

nationalism proliferation are extremely high in every country. Sierra Leone and Botswana for instance could nationalize the diamond mines and assume the benefits of doing so; analogously gold and uranium in other African states can be nationalized as well. Already, renewable natural resources such as teak hardwoods have already been nationalized in South Sudan, which has exported the materials to international markets close to the inception of state independence, which has assisted in not only diversifying the economic generations aside from petroleum but also brought revenue to the central government<sup>260</sup>.

Shale oil and gas potentials additionally brings an entirely new dimension to resource nationalism with countries such as Brazil, Canada, China, Russia, and the USA possessing immense reserves (Figure 5.5). Prospects of proliferation extends therefore to regimes and economies not thoroughly evaluated in this work. Indeed, democratic and developed economies would provide fascinating studies. The implications of Canadian resource nationalization of shale oil and gas would undoubtedly boost the country to become an economic titan. When Canada proposed the Keystone Pipeline through the USA, the administration of President Barack Obama resisted the immediate approval of such a project on grounds that the sensitive environment of the Sand Hills region in Nebraska would be negatively affected by the project<sup>261</sup>. Indeed, political foresight and pragmatism have been noticeable features of the Obama administration and carefully proceeding with future petroleum endeavours is demonstrative of not only consideration for the environment but also exhibit of the importance of petroleum undertakings. However, it should also be mentioned that the USA possesses monumental shale oil and gas potential that dwarfs that of Canada and can be recovered at a higher rate given technological capabilities (Figures 5.6 and 5.7).

Conclusively, there are numerous countries utilizing resource nationalism and many more that have prospects to do so. Pathways to the framework can arrive in a number of ways and is already firmly entrenched in the international system. Hence, continuation of resource nationalism will occur and should be engaged.

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<sup>260</sup> <http://www.bloomberg.com/news/2013-01-25/south-sudan-plans-to-start-teak-exports-to-cut-dependence-on-oil.html> (Last Retrieved: January 25, 2013).

<sup>261</sup> van Loon, J. and Pentty, R. (2012). "TransCanada Wins as Obama Keystone Permit Seen" in *Bloomberg Businessweek*. Available online: <http://www.businessweek.com/news/2012-11-08/transcanada-wins-as-obama-keystone-permit-seen> (Last Retrieved: November 8, 2012).

## ***Conclusion:***

Natural resources have been determined to not necessarily be a curse for developing economies but not a panacea either. While there may be problems inherent to resource nationalism, they are certainly manageable. It very well may be the case that more deficiencies have yet to be discovered since they have not yet been identified or developed considering that resource nationalism has only recently begun resurgence on the international scale and shortcomings can be unique from one state to another. Nonetheless, resource nationalism is on the rise with examples including unequivocal calls for implementing the framework in Kyrgyzstan with the gold industry<sup>262</sup> just as neighbouring Uzbekistan did to assert more control over their own gold industry<sup>263</sup> and South African anxiety to utilize resource nationalism as a means to assert greater control and benefits from mineral extractions in the country<sup>264</sup>. Indeed, resource nationalism is becoming an increasingly popular philosophy for developing economies to adopt, especially with regards to the implementation of nationalized companies. The question as to when extractions will occur is reliant of a trade between extracting natural resources or leaving them for another time to generate revenue. Hence, regardless of the shortcomings, management of the deficiencies will likely occur simultaneously with proliferation of the framework internationally.

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<sup>262</sup> (No Author). (2013). "Kyrgyz Protestors Enraged by a Gold Mine" in *Wall Street Journal*. Available online: [http://online.wsj.com/news/articles/SB10001424127887324412604578517152604658848?mod= newsreel\\_5](http://online.wsj.com/news/articles/SB10001424127887324412604578517152604658848?mod= newsreel_5) (Last Retrieved: March 31, 2013).

<sup>263</sup> <http://www.oxusgold.co.uk/> and Nimmo, J. (2012). "Oxus Gold 'Extremely Confident' of Compensation in Arbitration". <http://www.proactiveinvestors.co.uk/companies/news/48234/oxus-gold-extremely-confident-of-compensation-in-arbitration-48234.html> (Last Retrieved: September 19, 2012).

<sup>264</sup> (No Author). (2012). "Wish You Were Mine" in *The Economist*. Available online: <http://www.economist.com/node/21547285> (Last Retrieved: February 11, 2012).



### *Conclusion: Reflections on Resource Nationalism in the Persian Gulf*

This project sought to investigate resource nationalism in the Persian Gulf using the case studies of Iran, Saudi Arabia, and the UAE. The framework was initially dissected to reveal its inner components that would in turn be evaluated and analysed. The state, nation, nationalism, and ethnicity were all assessed and remained ever-present throughout the thesis. Each term had not only been defined for usage in the project but also was clearly demonstrated with each case study. Subsequently, the state interpretations of the framework and various pathways of manifestations were covered, which accentuated the versatility and amorphous nature of resource nationalism. Ethnic tensions were then reviewed along with SWFs to examine the extent of impact manifestations had taken. Consequently, further analysis on energy and security was provided, which elucidated additional usages of the framework. Afterwards, a conceptual exegesis was undertaken that analysed resource nationalism with all of its perceived benefits and shortcomings. Depromblemization was offered in addition to other measures of tactical management for the natural resource sector.

Resource nationalism has been demonstrated to be far more complex than the superficial view of the framework being a claim that a government and/or ethnic group(s) makes to natural resources located within their boundaries for the purposes of ownership and control. Its implementation in the Persian Gulf within the case studies has been clearly demonstrated. The effects of utilizing the framework had also been extensively reviewed. It was apparent that there were many complexities, difficulties, and issues associated with resource nationalism, such as with ownership rights. It was determined that despite such matters the framework had no correlation with causing ethnic tensions; rather it could be viewed as exacerbating or inciting them, but ultimately was not the cause. Ethnic tensions were present on both sides of the Persian Gulf but were certainly manageable. There was a profound effect that resource nationalism maintained on national and ethnic identities between the case studies and the impact on international relations was addressed with interstate behaviour being brought forth to demystification. The enigma as to whether the framework had any negative impact on the countries utilizing it was also asserted and while there were countries that were experiencing detriments such as rentierism, the relationship with resource nationalism would enable the country to extricate itself through constructive efforts. In this manner, it should be noted that while it is philosophically possible for the case studies to develop constructive measures such as

transparency, communication, and good governance, under the current socio-political structure it is more likely to occur in an ameliorated model in which opacity is illuminated, greater communication is promoted, and good governance receives greater attention for development. Under the current models some of the negative consequences of resource nationalism have already become expressed, such as the underinvestment in the oil and gas sectors and the facilitation of economic lethargy. Rather than updating and further developing the sectors into becoming more technologically advanced and efficient, there is a prevalent practice of operating preexisting petroleum networks that are becoming increasingly dated in addition to declining production levels. Trends in the region that were related with resource nationalism had also been referenced, such as geopolitical tensions at the mouth of the Strait of Hormuz.

The framework can certainly be beneficial and does not need to be feared by any entity whether it is a foreign investor seeking business ventures or an ethnic group under the political system of a country employing resource nationalism. The interpretation and manifestation of the framework is what would result in concerns, but as such are manageable ones. Resource nationalism is not a determinant and is indeed a flexible and accommodating framework that is able to change in order to adapt to its conditions. Applications of resource nationalism in this project have been with oil and gas as the materials of focus, but this does not need to be the case since timber, metals, and human resources can also be areas of use. The framework reserves incredible power and can make or break an economic sector depending on select factors such as management as well as adherence to its implementation. The case study of Iran illustrated mismanagement and defiance towards the consistency of resource nationalism while Saudi Arabia and the UAE met with greater success with the developments of internationally renowned SWFs. SECURITY Indeed, resource nationalism is a diverse and multi-dimensional with its complexities extending to other issues seemingly unrelated to the framework.

In the advent of globalization, resource nationalism is arriving to a platform of evolution. There are tantalizing developments with the framework that are to take place in the near future and have already been giving signs in other pre-existing models. One noteworthy example would be with the role of PMSCs and the effective privatization of natural resources in the UAE. Other countries have yet to develop their manifestation of the framework and witnessing as well as forecasting the implications of such an evolution is attractive. Natural resources will always have a presence in the international system and will be essential for the functioning of a state. Notions

of risk and governance will hence be even more relevant. With the resurgence of resource nationalism, the project has in its final chapter drawn upon an array of other countries and natural resources to illustrate the proliferation. It is important at this state to establish that there should be further engagement of resource nationalism between companies and governments. The two should not be viewed as competition but rather as interactive partners. After all, the natural resources that are located within a host country cannot reasonably become the absolute property of a foreign company, especially if there are populations inhabiting the area. It is unreasonable to assume that simply because the operations conducted in the past yielded immense revenue that it should unquestionably continue in such a trajectory. It is often ignored that many companies in this regard have acted in exploitation, which is a standard that is unbecoming of modern standards. It used to be the case that it was acceptable for entire populations to become enslaved and forced into manual labour for the betterment of another empire, but this age has similarly passed and such behaviour has become unacceptable to repeat. Hence, mutual respect must be given between the host countries and foreign companies with both acknowledging that there are vulnerabilities on both sides. Cooperation and mutually beneficial endeavours have always promoted a more positive relationship than one in which one side is furthering more than the other.

In this vein, it should be addressed that parties must live up to business contracts. Developing countries may already have a problem with this due to the lack of infrastructure, but it is an issue that will be recurrent in the future should parties not perform their agreed duties. After all, it is only fair and legal to assert that should parties enter a contract or venture together and agree to perform particular functions, when at least one side does not fulfil its commitments, it is undoubtedly condemnable. Behaving illicitly may be perceived by the host country that the moves are safeguarding its interests absolutely and are henceforth legitimate. But, it in fact demonstrates illegitimacy and casts doubt on the entire model of the host country. Not only does it place undue risk on the country with the perception that it is an unreliable business partner but it may also bring to light some other aspects of society that are condemnable by the international system as well, such as internalized corruption. While countries do have the right to exercise control over their own natural resources, that does not give them the right to disregard engagements. Countries such as Russia are difficult to reign in given their historical belligerence and that many companies cannot afford to make an enemy out of the state. It is certainly different

for other countries, even ones with economic standing such as Kuwait, which was humiliated by USA courts.

It could also be the case that partial foreign ownership is not necessarily negative or against resource nationalism. In fact, foreign ownership could potentially guarantee regime stability given that companies can put forth investments to build and stabilize regimes (Le Billon 2012: 71 – 72). Political stability is of course an advantage and should resource nationalism be the means to facilitating it, then certainly partial foreign ownership is allowed. Concerning the boundaries of resource nationalism, as long as the state maintains the ability to assert its control over natural resources located within its territory then such engagements can be fulfilled. The assertion of control does not need to be absolute but it does need to be present. PSAs, JOAs, and other partnerships may deter governments from engaging in prolonged armed conflicts (Ibid). Similarly, domestic and international leverage can still be placed on companies to address social as well as environmental impacts as a result of resource extractions, which additionally signifies that there are avenues in which host countries can once again project control.

Therefore, with such attractive developments and reasons for the rise of resource nationalism, it should be hailed and enthusiastically interacted. Since initiating my doctorate in 2010, there have been numerous calls, usages, and prospects for resource nationalism visible throughout the international system. For example, the newest country in the world, South Sudan, sought to export its natural resources with a state-implemented policy of resource nationalism that would be used to generate significant foreign investment to the central government for sales of petroleum and timber. In Syria during the civil war Israel utilized the framework to conduct clandestine warfare against its neighbour in the occupied Syrian Golan Heights by selling oil and gas rights to an energy firm based in New Jersey, USA<sup>265</sup>. Libya experienced a revolution and there are now issues being raised with the future of natural resource management in the country. Afghanistan and Iraq have continued to experience internal struggles with addressing resource nationalism in the country with the former having vast mineral wealth and the latter possessing immense petroleum potential but both being hindered by ethnic conflict and tensions. Namibia also has prospects for resource nationalism with the potential nationalization of the hoodia plant, which is of considerable interest to pharmaceutical industries. In summation, there is incredible

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<sup>265</sup> Lobe, J. (2013). "Israeli License to Cheney-Linked Energy Firm on Golan Heights Raises Eyebrows," in *Inter Press Service*. Available online: <http://www.ipsnews.net/2013/02/israeli-licence-to-cheney-link-energy-firm-on-golan-heights-raises-eyebrows/> (Last Retrieved: February 23, 2013).

demand and potential for resource nationalism to flourish in the future with active signs already being pursued.

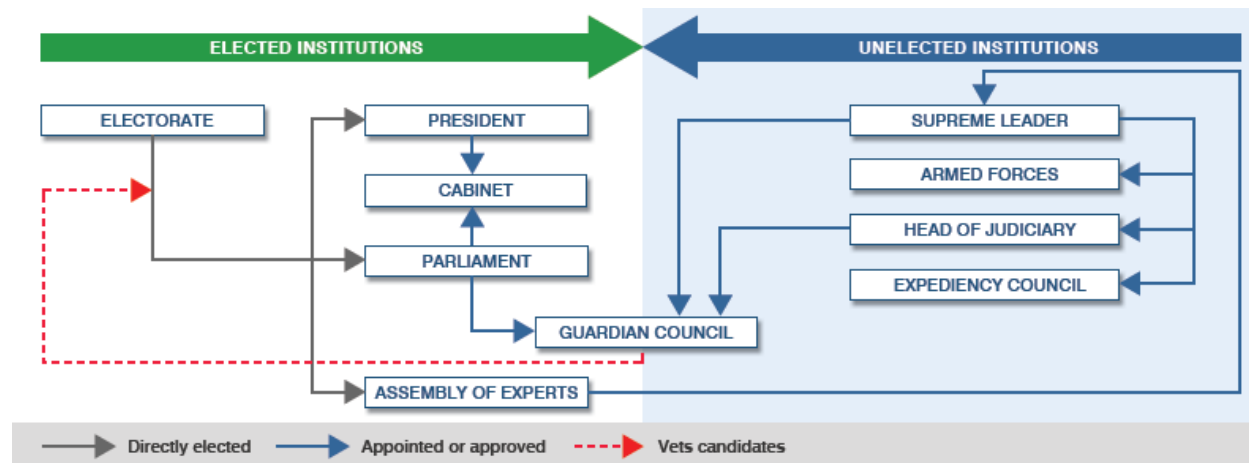
Future directions of research are numerous given the pioneering study conducted on resource nationalism in the Persian Gulf using Iran, Saudi Arabia, and the UAE. Within the case studies further investigation can be done on ethnic tensions as they would be a developing and constantly progressing study to be updated on. The immediate surrounding littoral region can also be similarly examined as was done with this project, Kuwait and Qatar would prove fascinating studies just as Bahrain and Oman would as well. Other case studies outside the area can also be explored such as with China, Cuba, Russia, Sweden, and Uzbekistan to name a select few. Examining different political systems in relation to resource nationalism would also prove beneficial as it is a study that has not yet been thoroughly investigated. Changing the materials of focus in future case studies to be aside from petroleum would similarly be advantageous to the contribution of unique literature in that there has not been significant investigation into other areas of natural resources, with the exception of petroleum, that have been studied in the context of resource nationalism. However, given the newness of shale oil and gas to academia, providing innovative research with such materials at focus would also be valuable. More theoretical evaluations and elucidations on the framework could also be positive direction. A final constructive recommendation would be with studies having the influence of globalization on the framework<sup>266</sup>, with particular emphasis on its components. Essentially, there is a wide range of themes and topics that can still be covered by academic research with resource nationalism at the core. Yet, until future research does occur this project stands as a testament to the dynamism and depth of resource nationalism.

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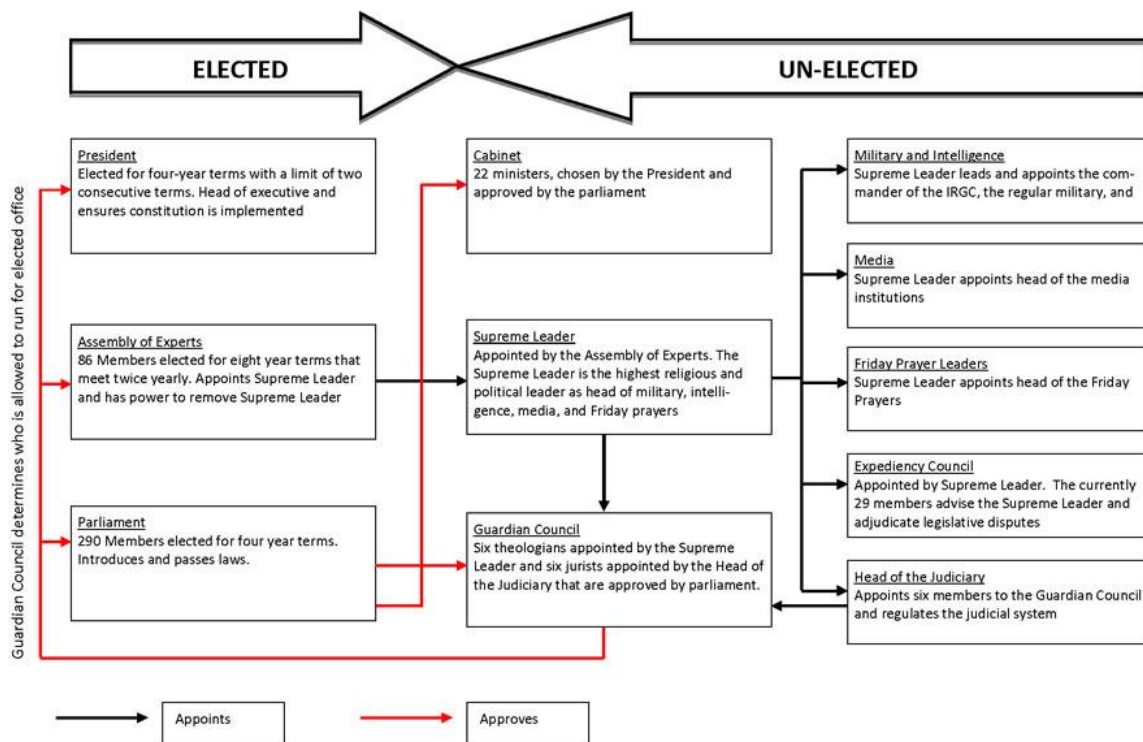
<sup>266</sup> <http://www.ey.com/CA/en/Newsroom/PR-activities/Articles/2010-CMJ-Resource-Nationalism> (Last Retrieved: July 2, 2013).

## Figures:

Figure 1.1: Iranian political structure flowcharts, where the Supreme Leader<sup>267</sup> is the commander-in-chief of the armed forces (Source: BBC).



### THE BALANCE OF POWER IN IRAN



<sup>267</sup> It should be noted that the Supreme Leader appoints the head of national broadcasting, such as television and radio, but not all media outlets.

Figure 1.2: Iran Total Population (Source: World Development Indicators and [www.knoema.com](http://www.knoema.com)).

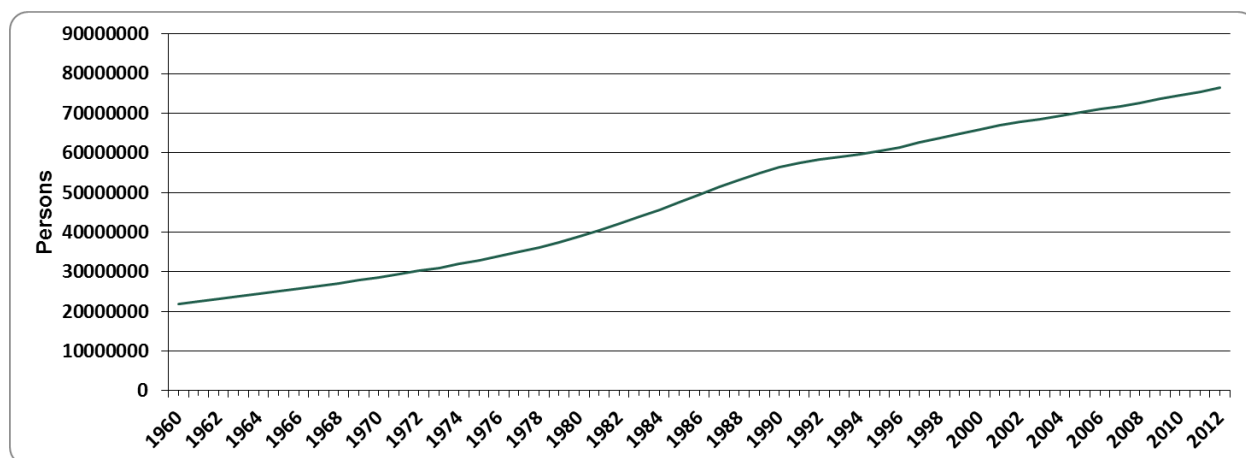
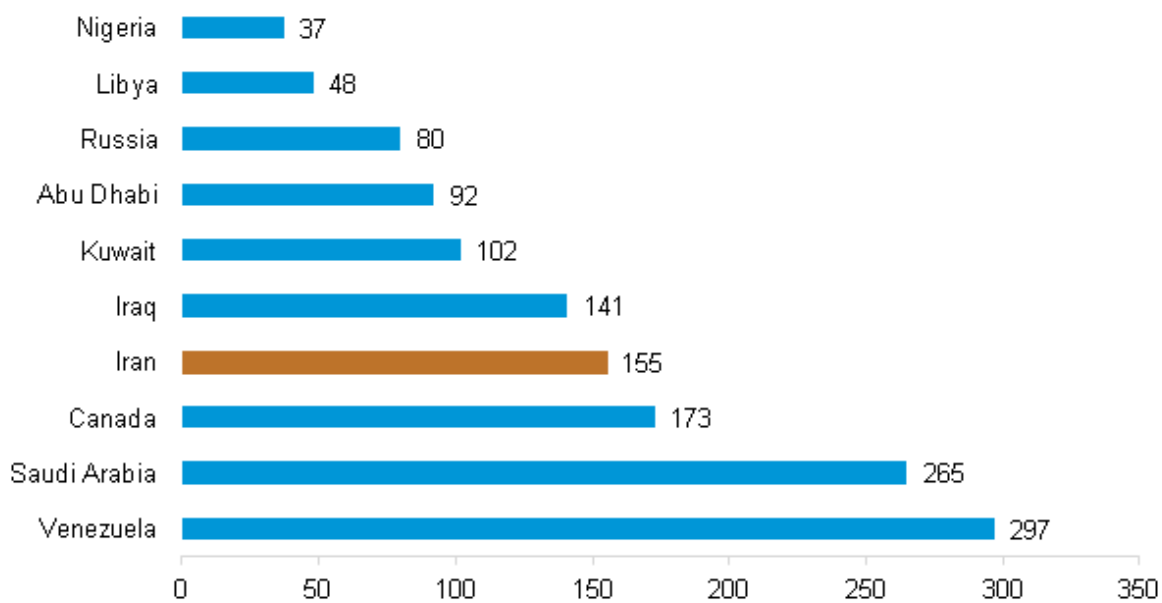


Figure 1.3:

**Largest proven reserve holders of oil, January 2013**

billion barrels



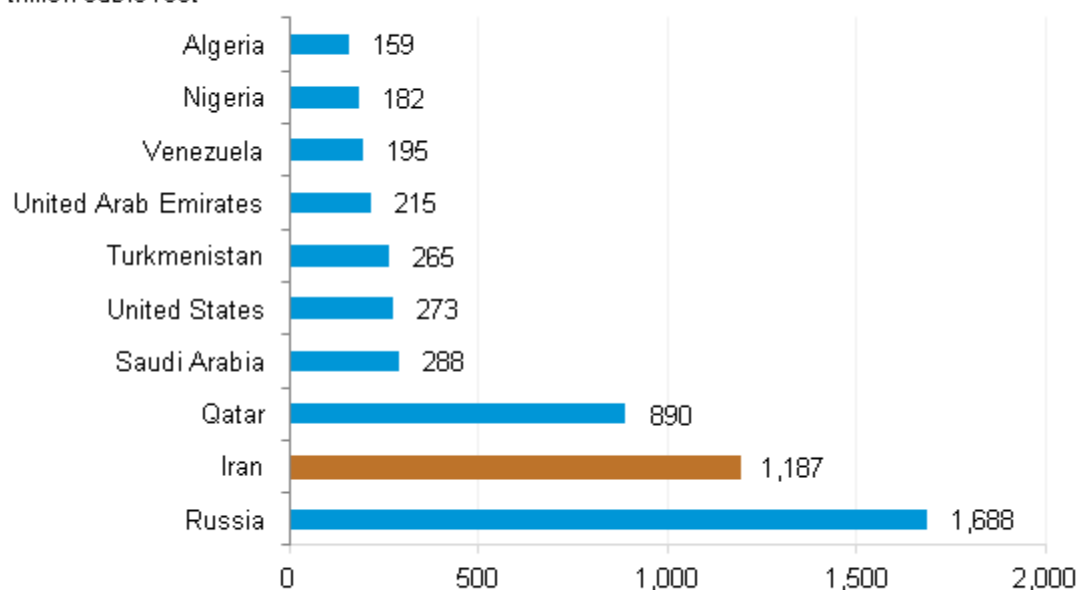
Source: Oil and Gas Journal



Figure 1.4:

**Largest proven reserve holders of natural gas, January 2013**

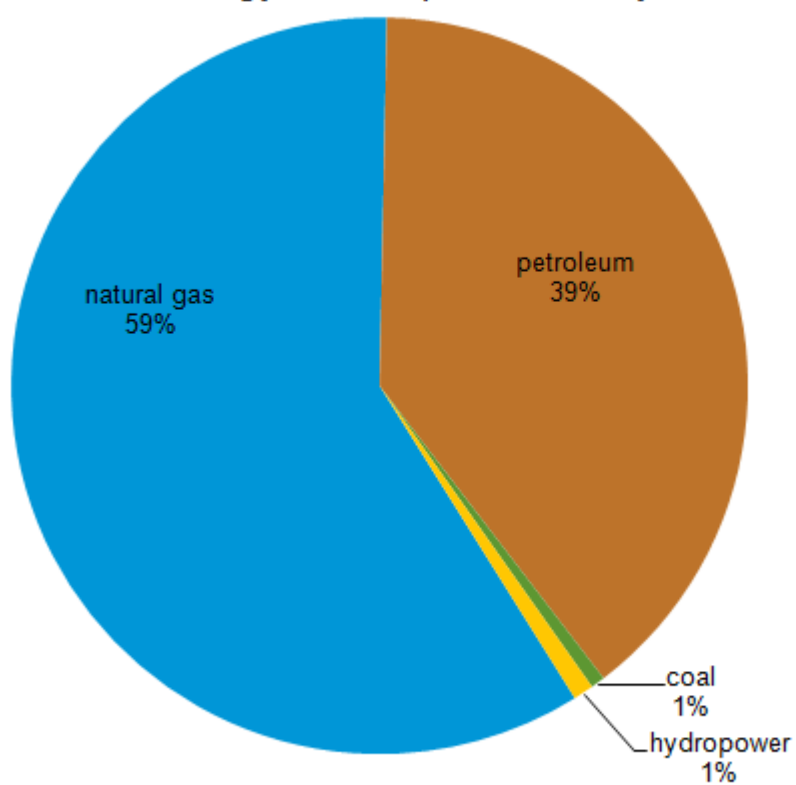
trillion cubic feet



Source: Oil and Gas Journal

Figure 1.5:

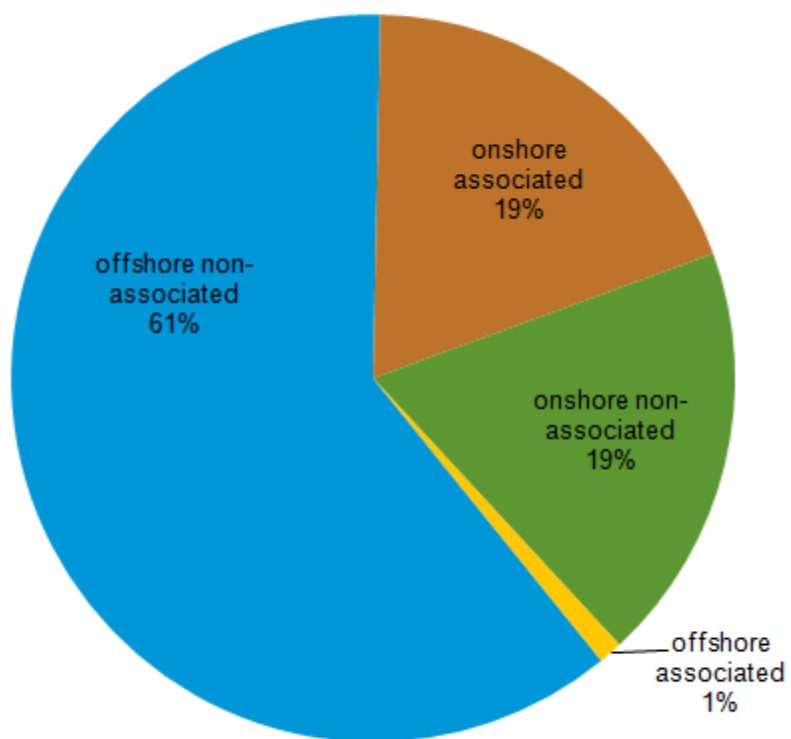
## Iran's total energy consumption share by fuel, 2010



Source: U.S. Energy Information Administration, International Energy Statistics Database

Figure 1.6:

## Composition of Iranian natural gas reserves, 2011

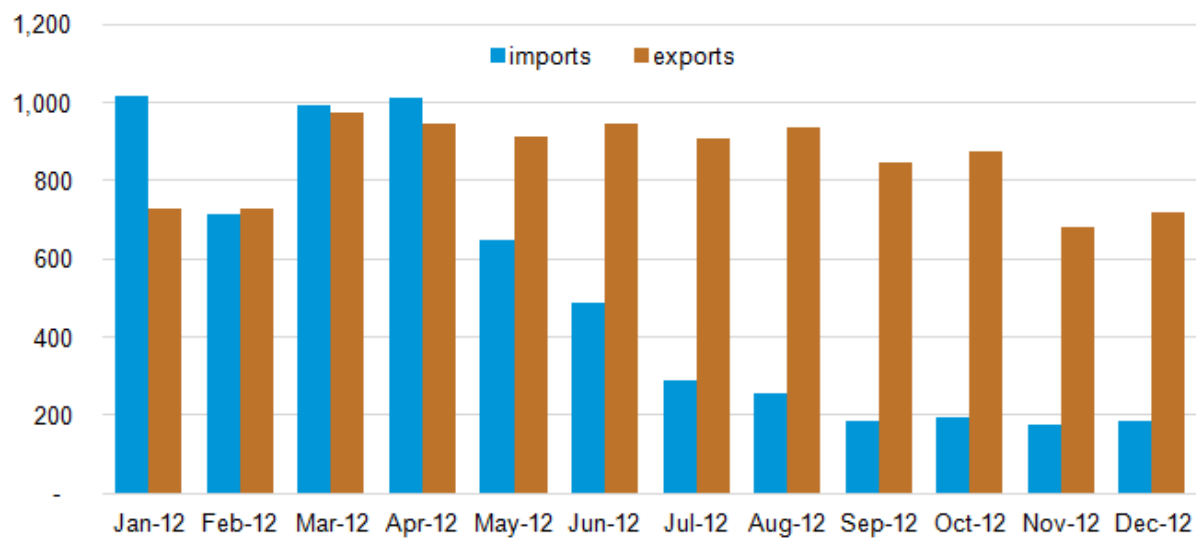


Source: FACTS Global Energy

Figure 1.7:

**Iran's natural gas imports and exports, January-December 2012**

million cubic feet per day



Source: FACTS Global Energy

Figure 1.8:

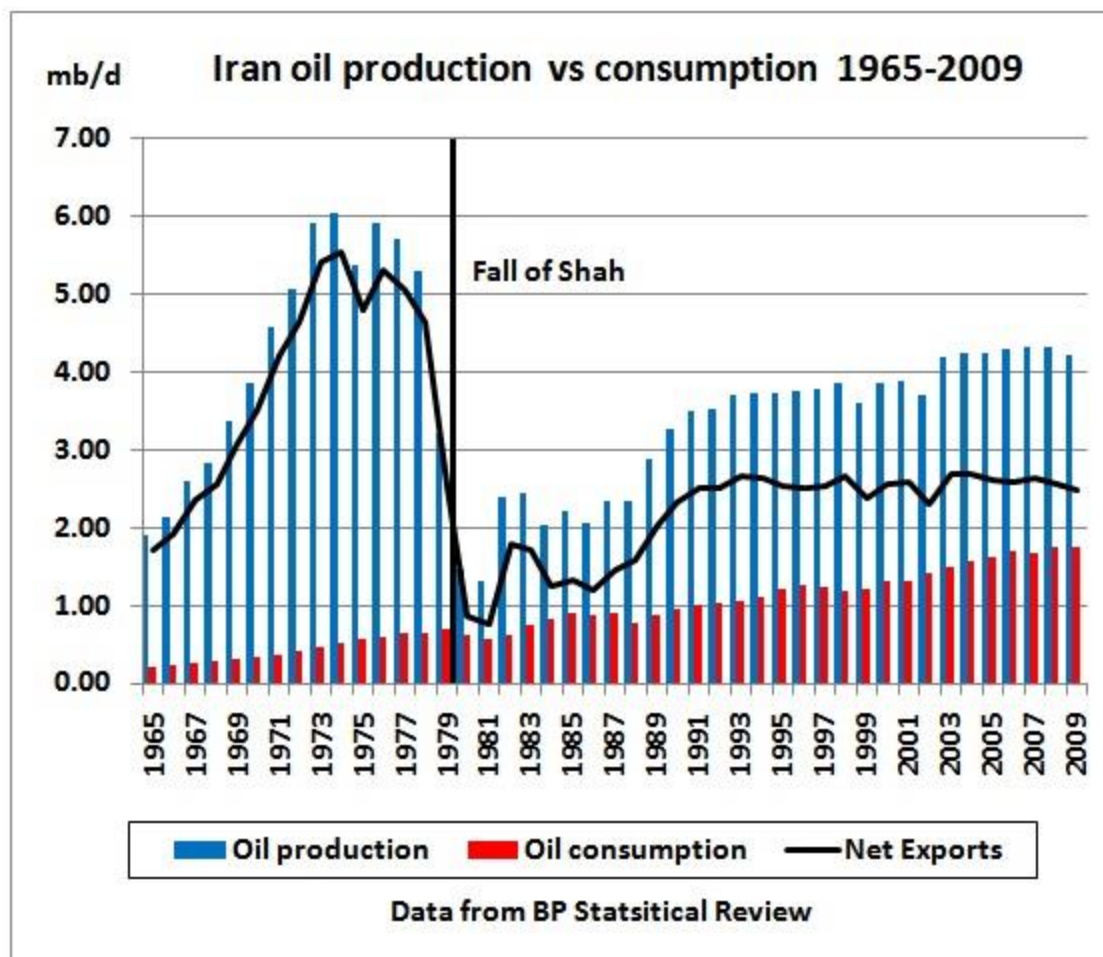


Figure 1.9: Oil and gas production in Iran from 1970 to 2012 with extrapolated projections through to 2030 (Source: EIA and Oil and Gas Journal).

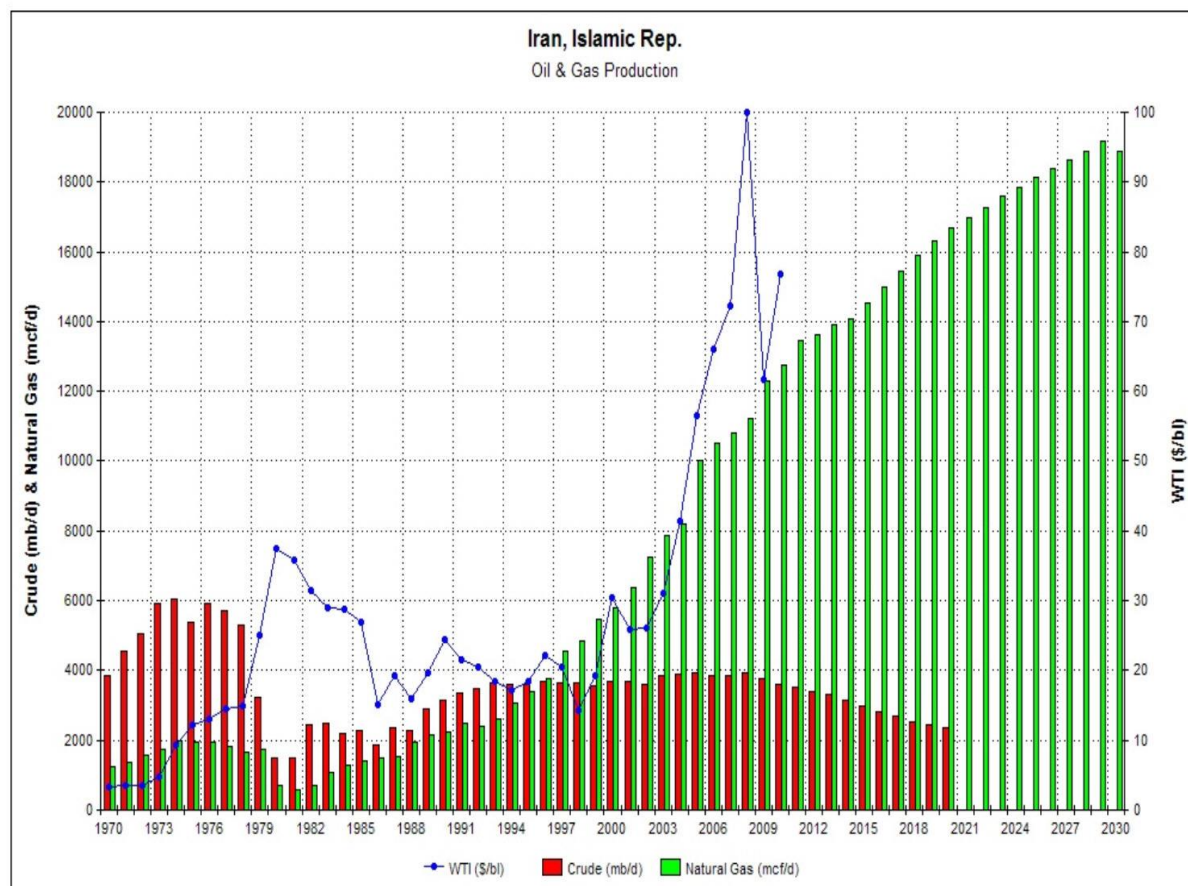


Figure 1.10:

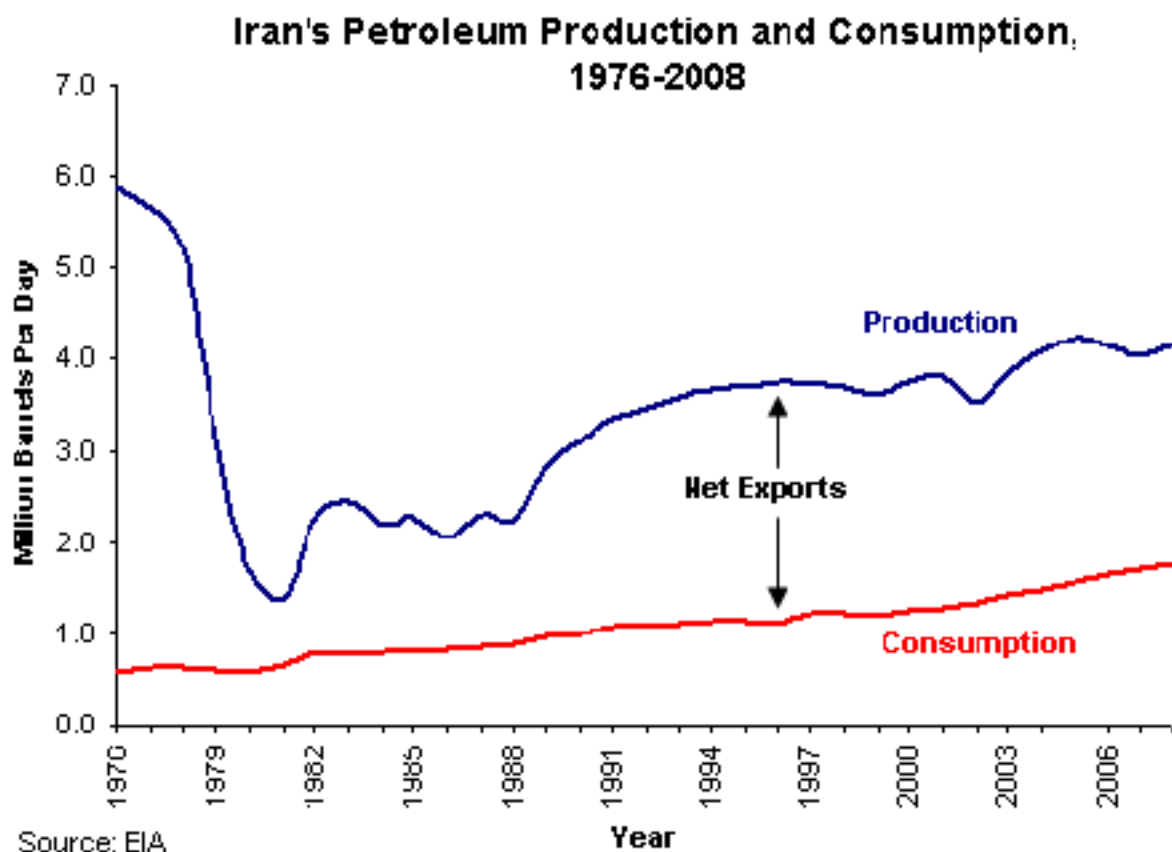
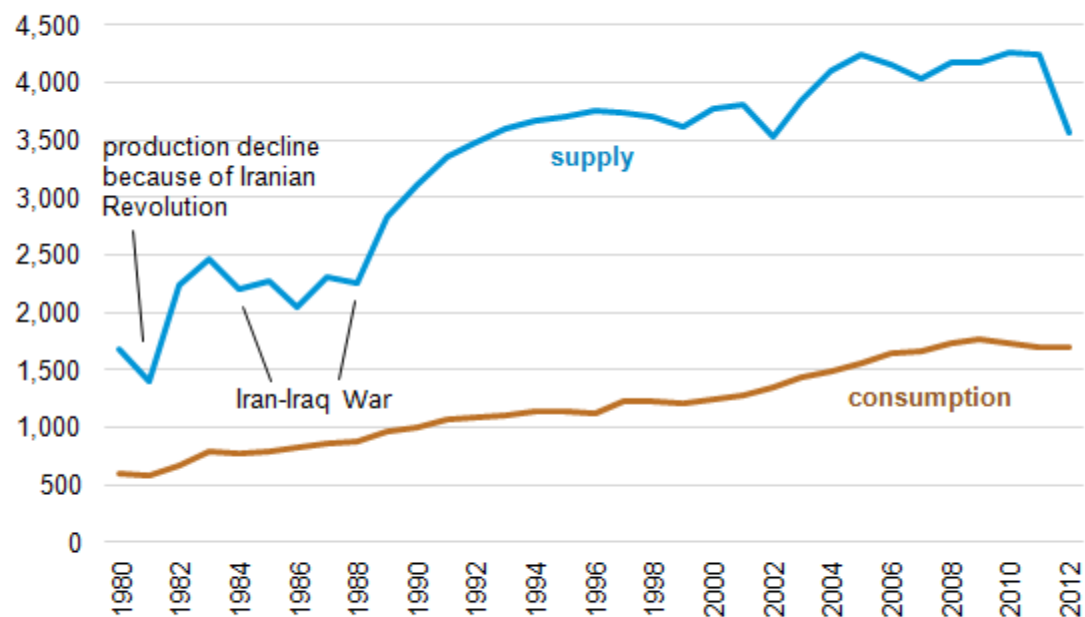


Figure 1.11:

**Iranian total supply and consumption of oil, 1980-2012**

thousand barrels per day



Source: U.S. Energy Information Administration, International Energy Statistics Database and Short-Term Energy Outlook



Figure 1.12: Iran Military Expenditure (Source: SIPRI and [www.knoema.com](http://www.knoema.com)).

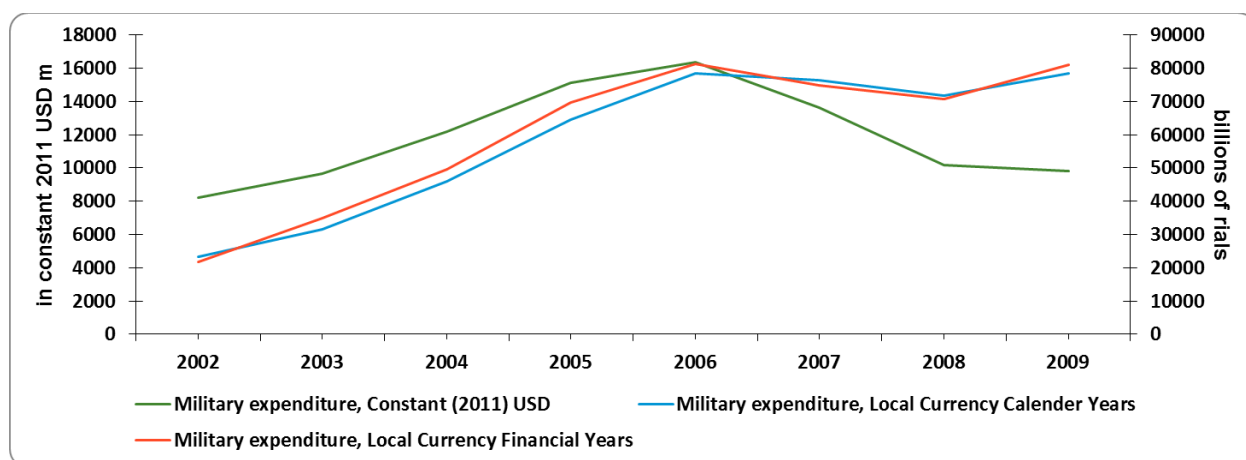


Figure 1.13: Saudi Arabia Total Population (Source: World Development Indicators and [www.knoema.com](http://www.knoema.com)).

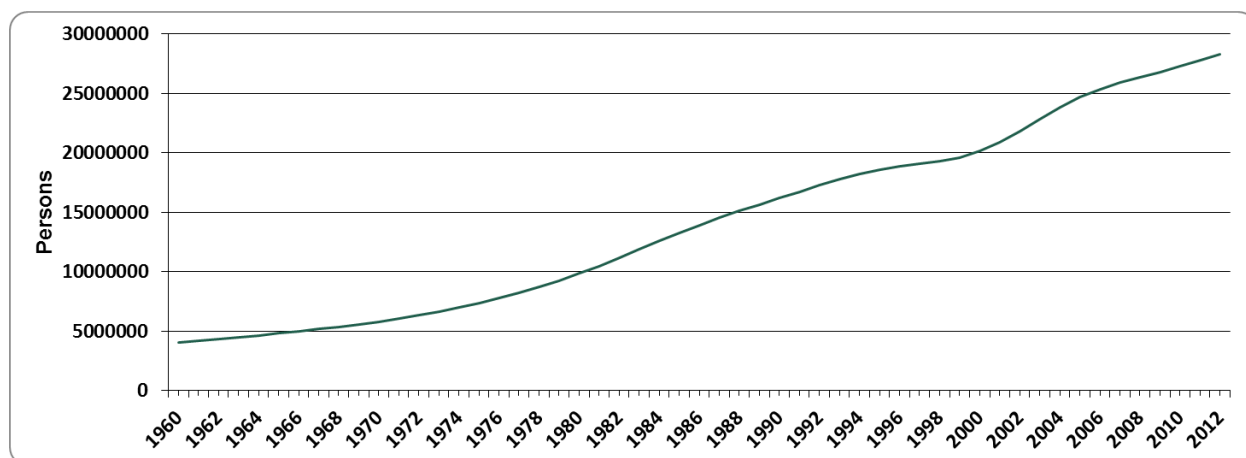
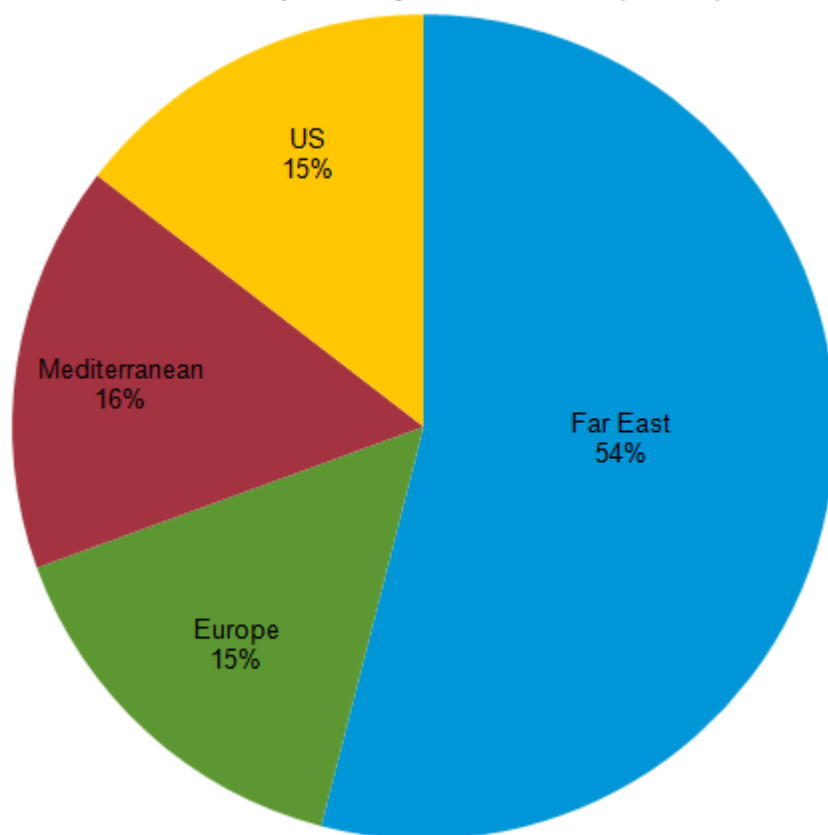


Figure 1.14:

**Saudi crude oil exports by destination (2012)**

Source: U.S. Energy Information Administration, APEX

Figure 1.15:

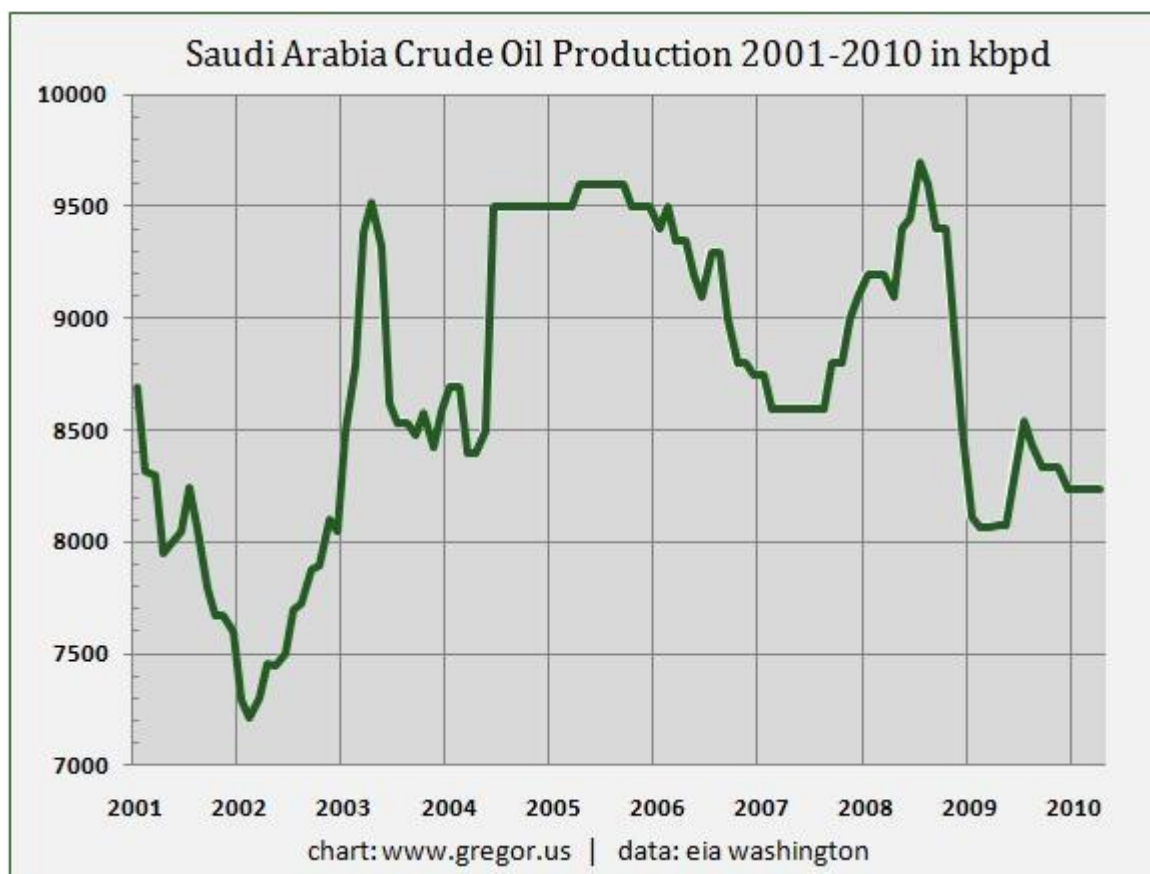
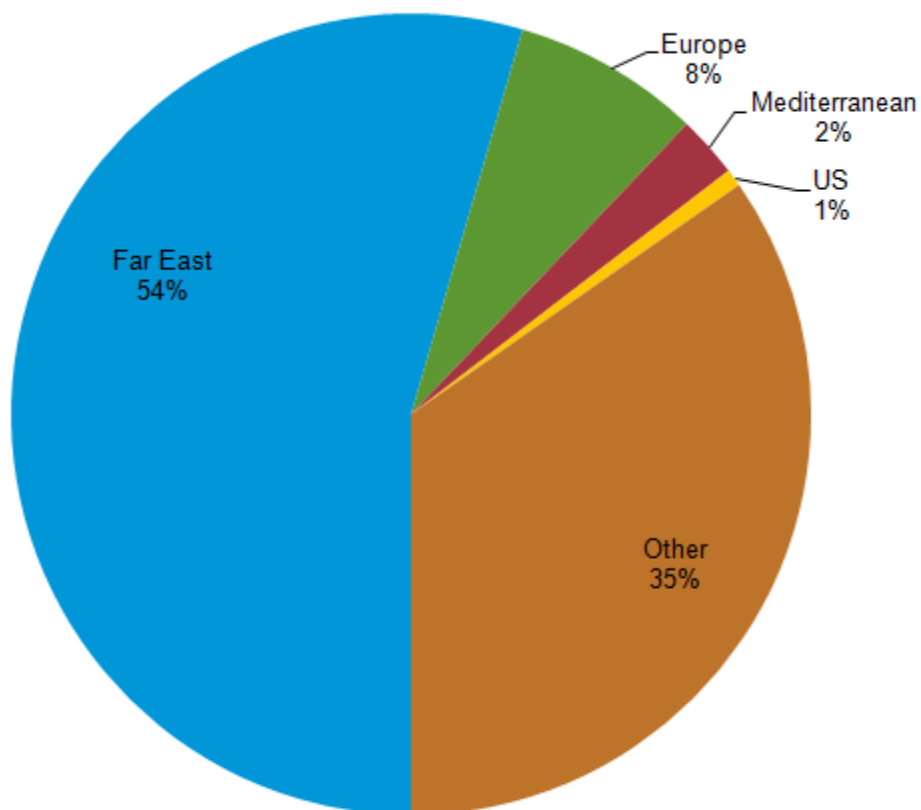


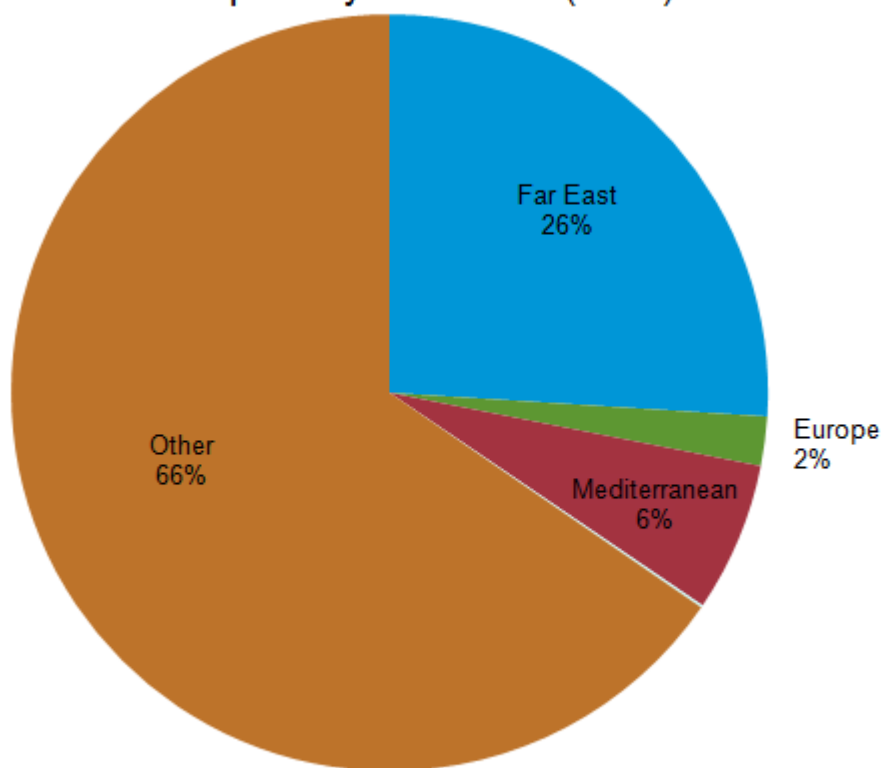
Figure 1.16:

**Saudi refined product exports by destination (2011)**

Source: Saudi Aramco, U.S. Energy Information Administration's *2011 Annual Review*

Figure 1.17:

## Saudi NGL exports by destination (2011)



Source: Saudi Aramco, U.S. Energy Information Administration's  
2011 Annual Review

Figure 1.18:

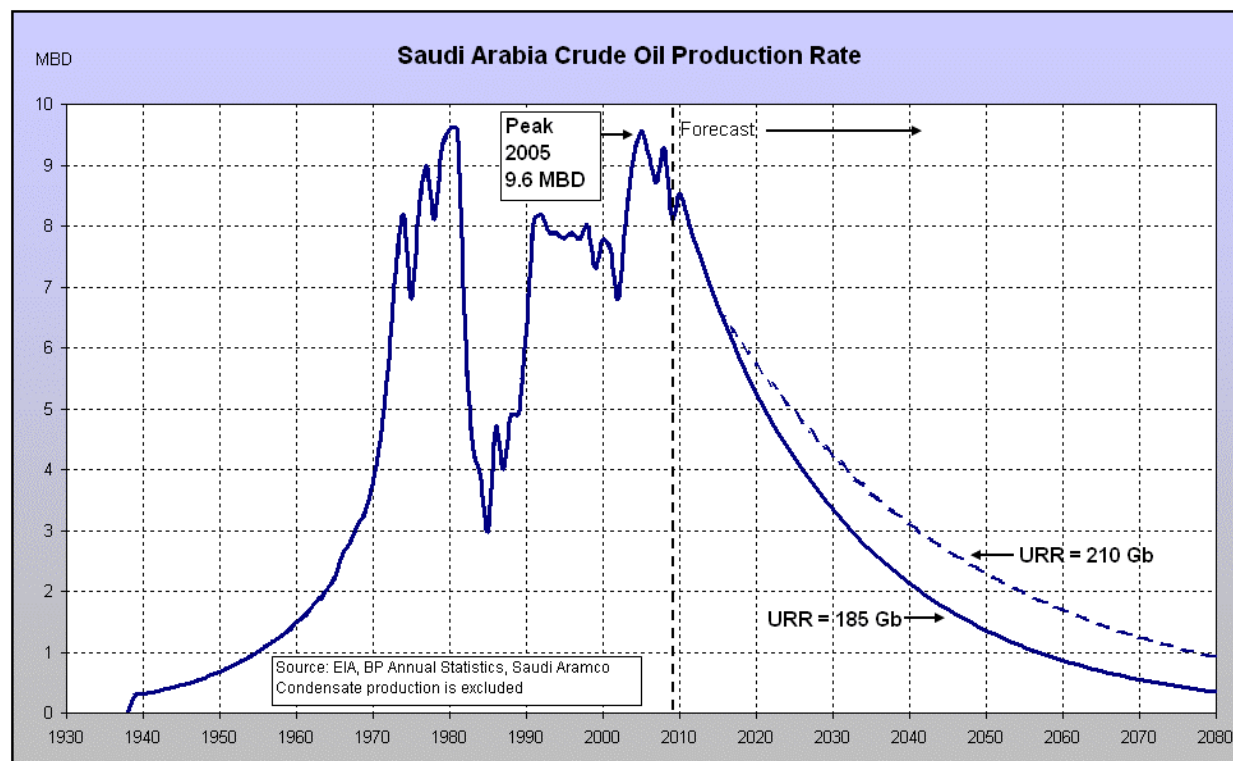


Figure 1.19: Saudi Arabia oil production and 2015 export projections (Source: EIA).

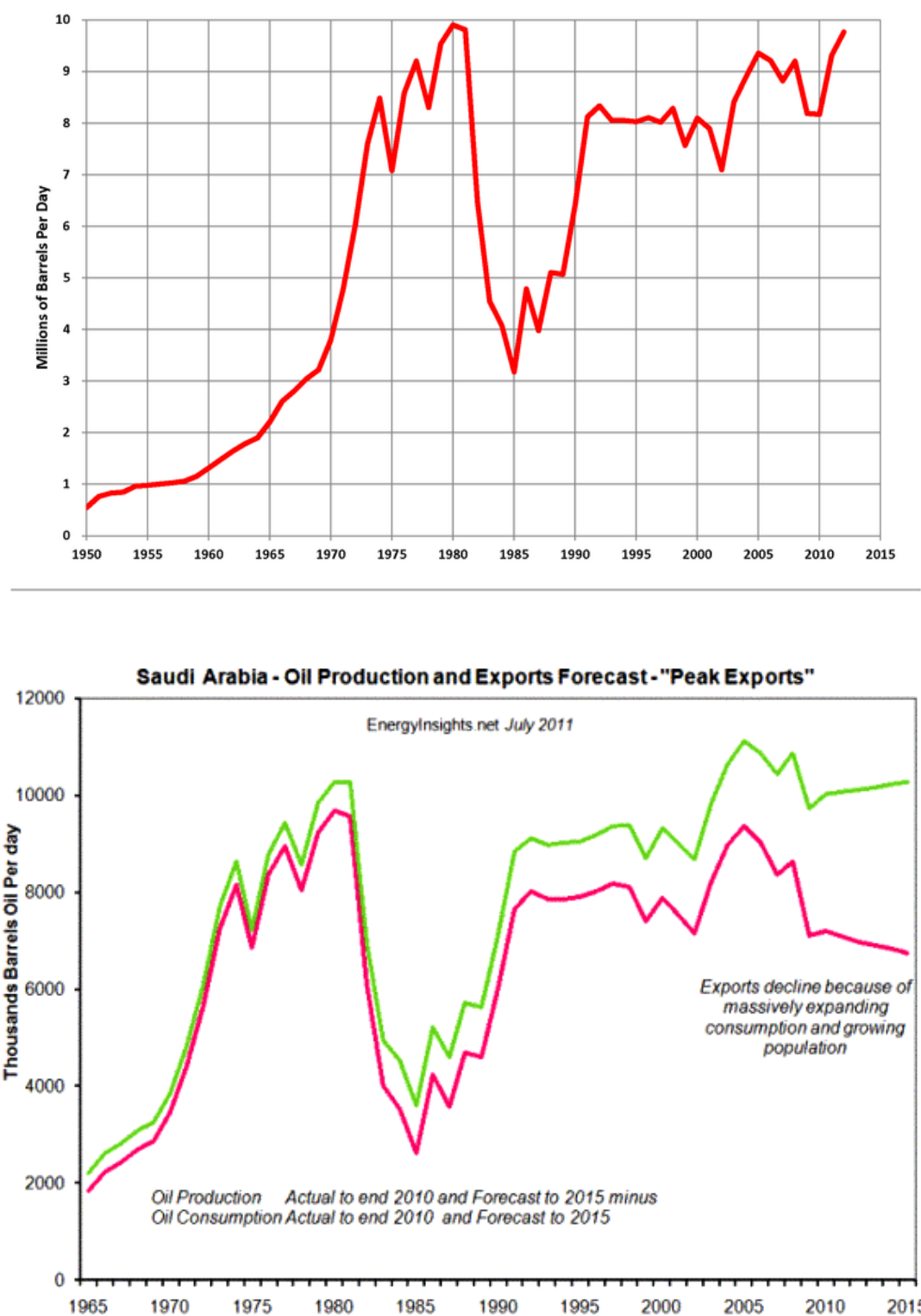




Figure 1.20: Saudi Arabia Military Expenditure (Source: SIPRI and [www.knoema.com](http://www.knoema.com)).

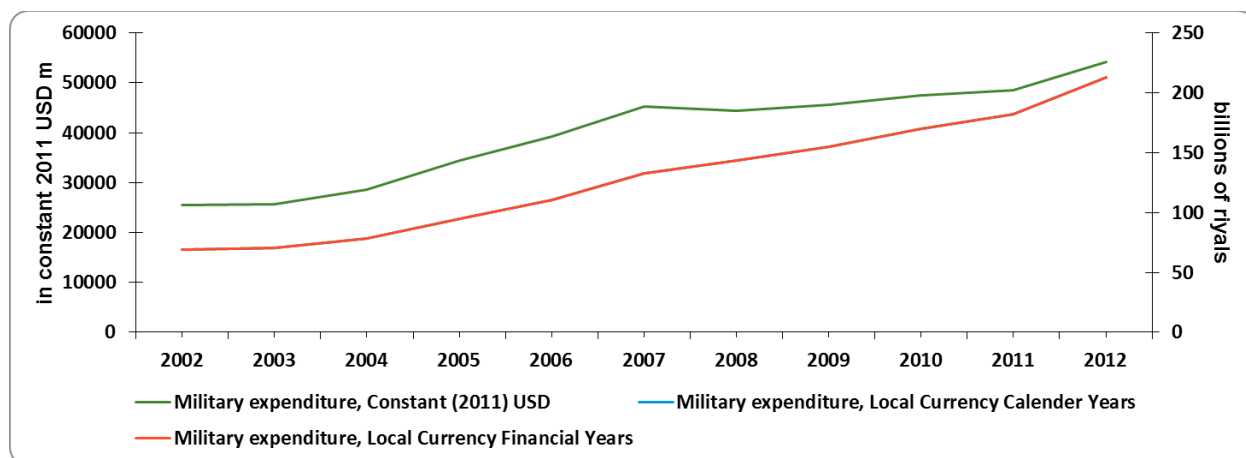


Figure 1.21: UAE Total Population (Source: World Development Indicators and [www.knoema.com](http://www.knoema.com)).

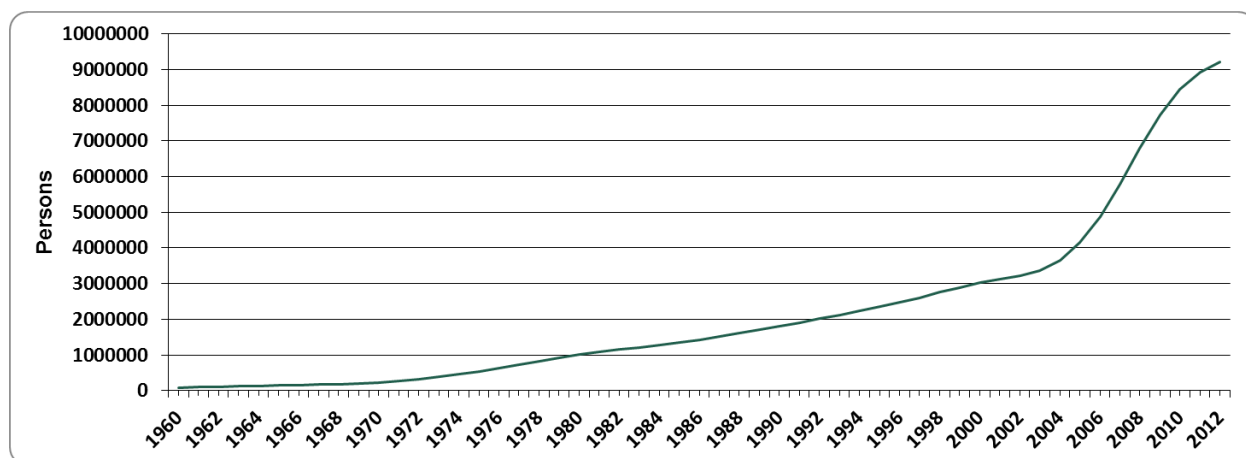


Figure 1.22:

**Top 10 global crude oil and lease condensate producers, 2012**

million barrels per day

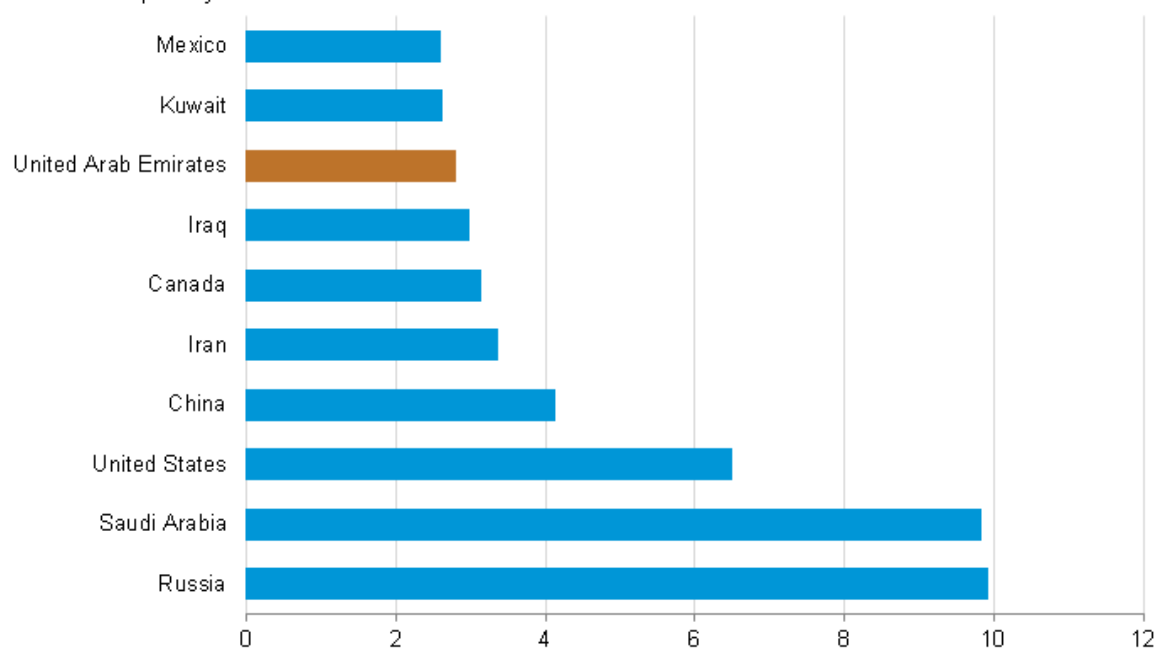
Source: U.S. Energy Information Administration, *International Energy Statistics*

Figure 1.23:

**United Arab Emirates total oil supply and total petroleum consumption, 2003-2012**

thousand barrels per day

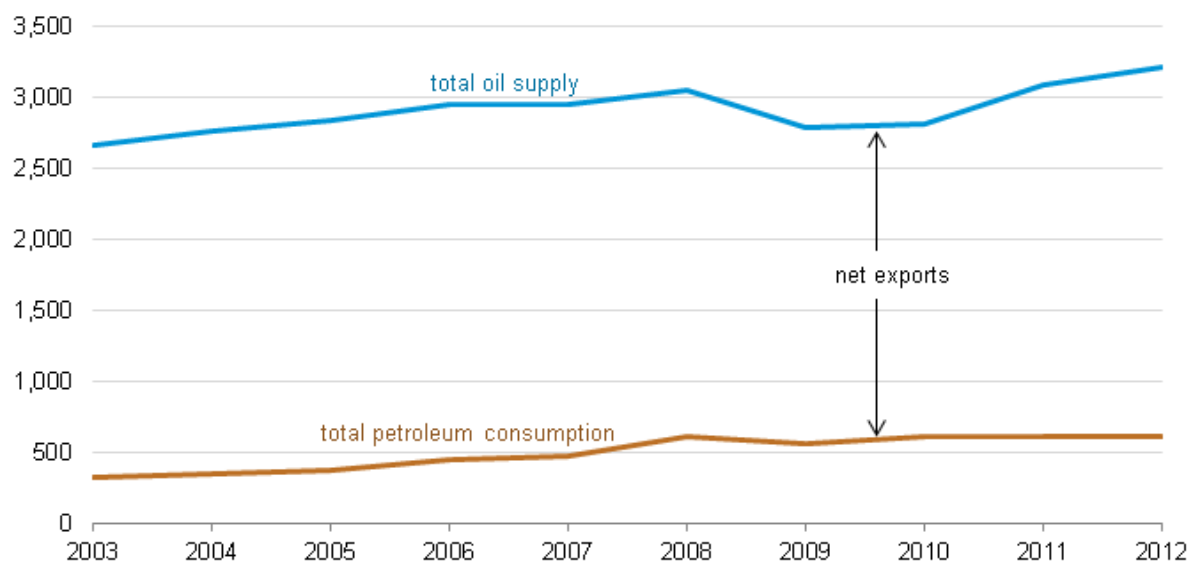
Source: U.S. Energy Information Administration, *International Energy Statistics*

Figure 1.24:

**United Arab Emirates petroleum consumption, 2003-2012**

thousand barrels per day

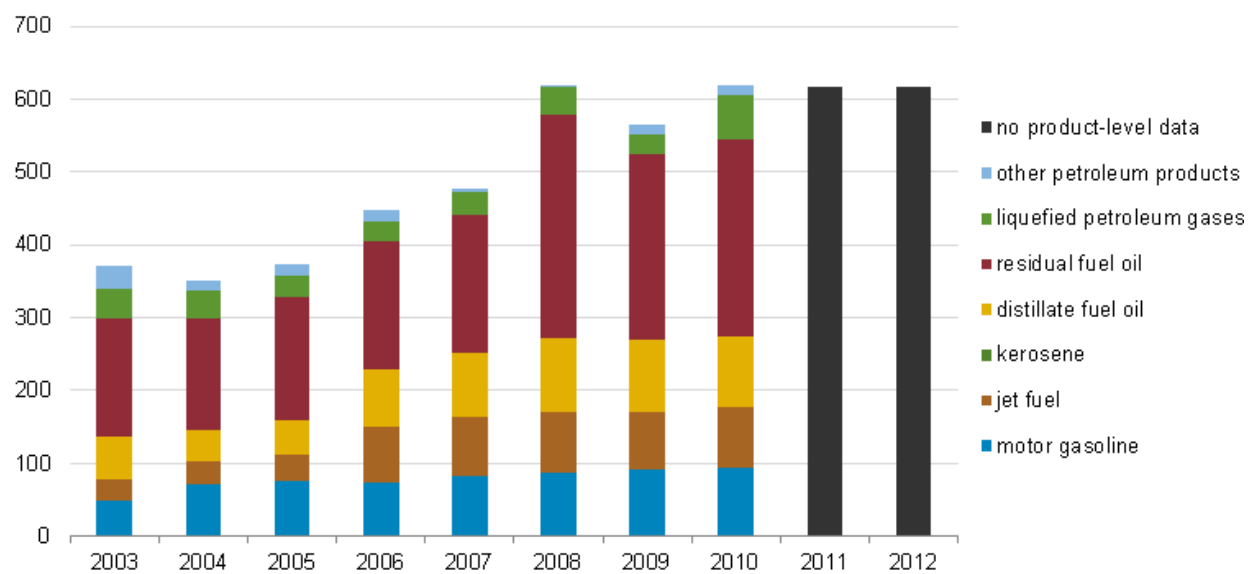
Source: U.S. Energy Information Administration, *International Energy Statistics*

Figure 1.25:

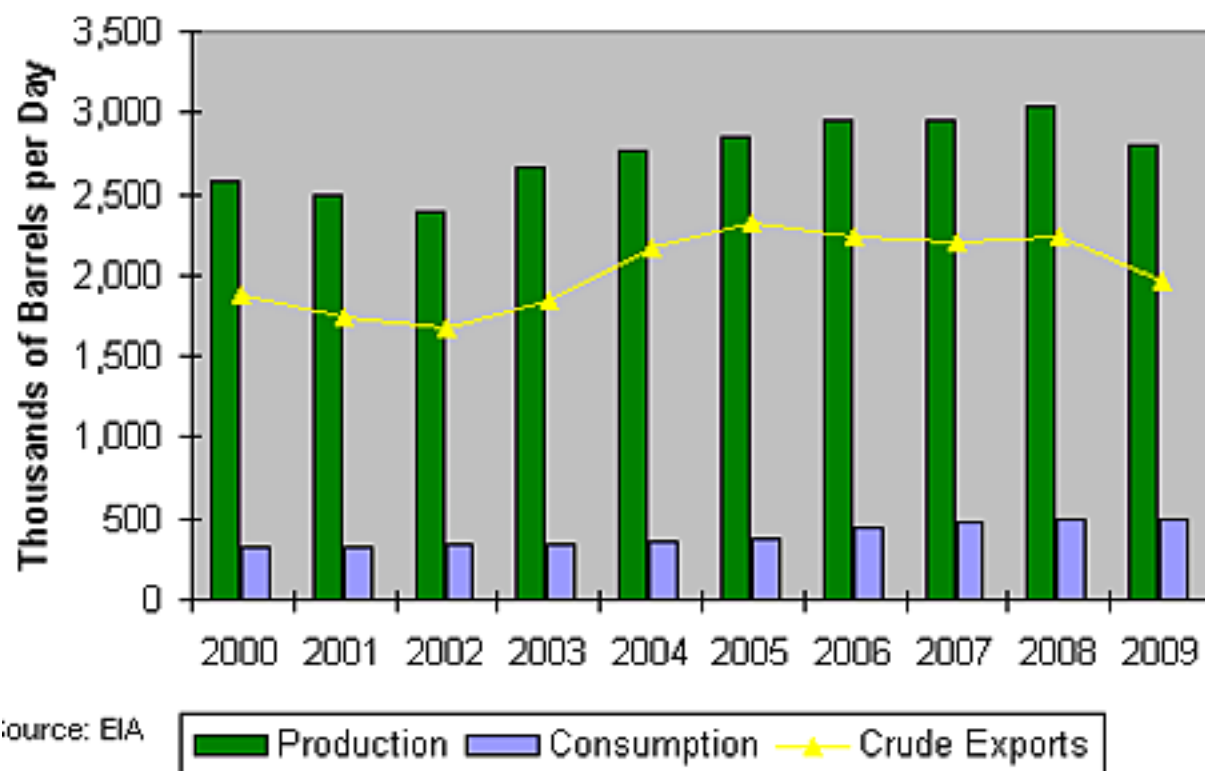
**UAE Oil Production and Consumption, 2000-2009**

Figure 1.26:

**United Arab Emirates natural gas flows, 2003-2013**

billion cubic feet

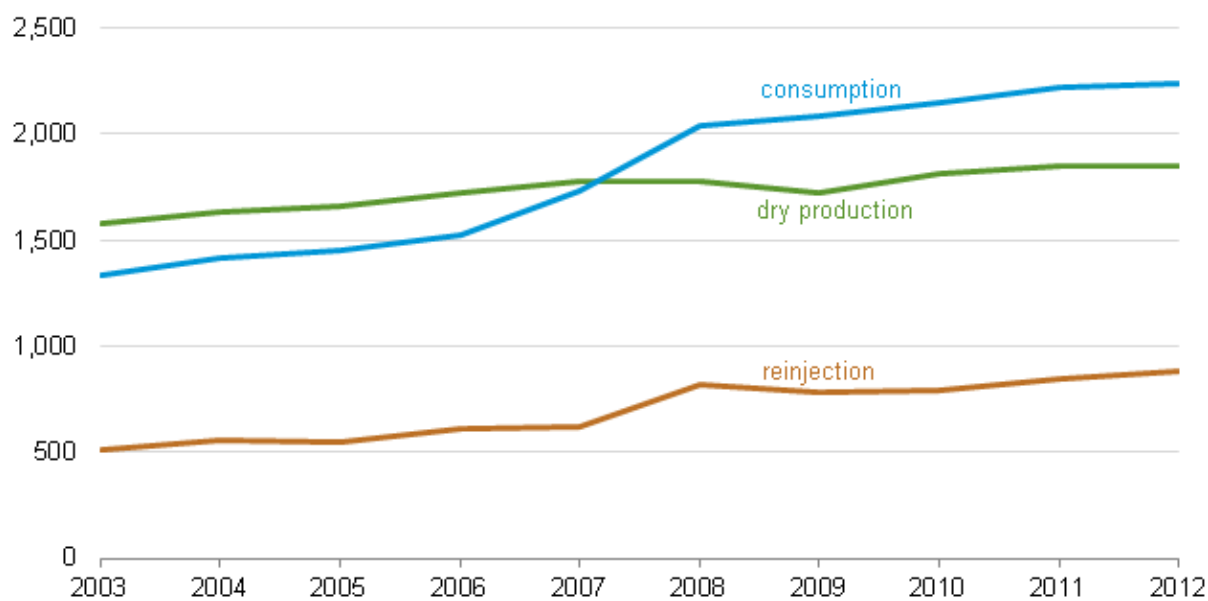
Source: U.S. Energy Information Administration, *International Energy Statistics*

Figure 1.27:

**United Arab Emirates dry natural gas production, 1980-2012**

billion cubic feet

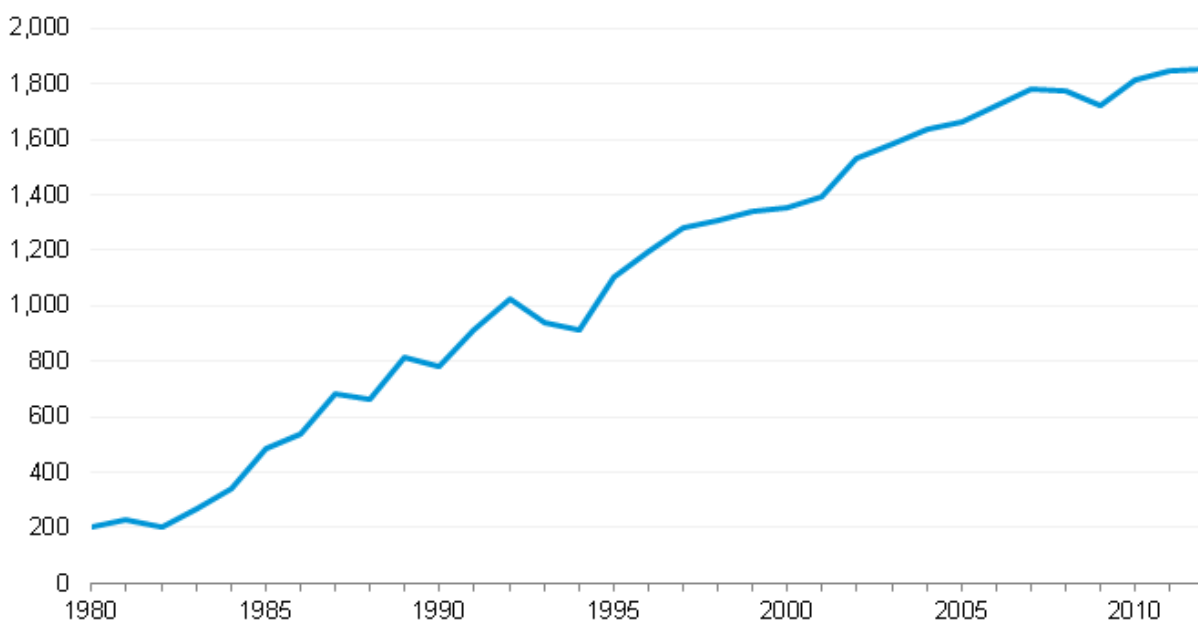
Source: U.S. Energy Information Administration, *International Energy Statistics*



Figure 1.28:

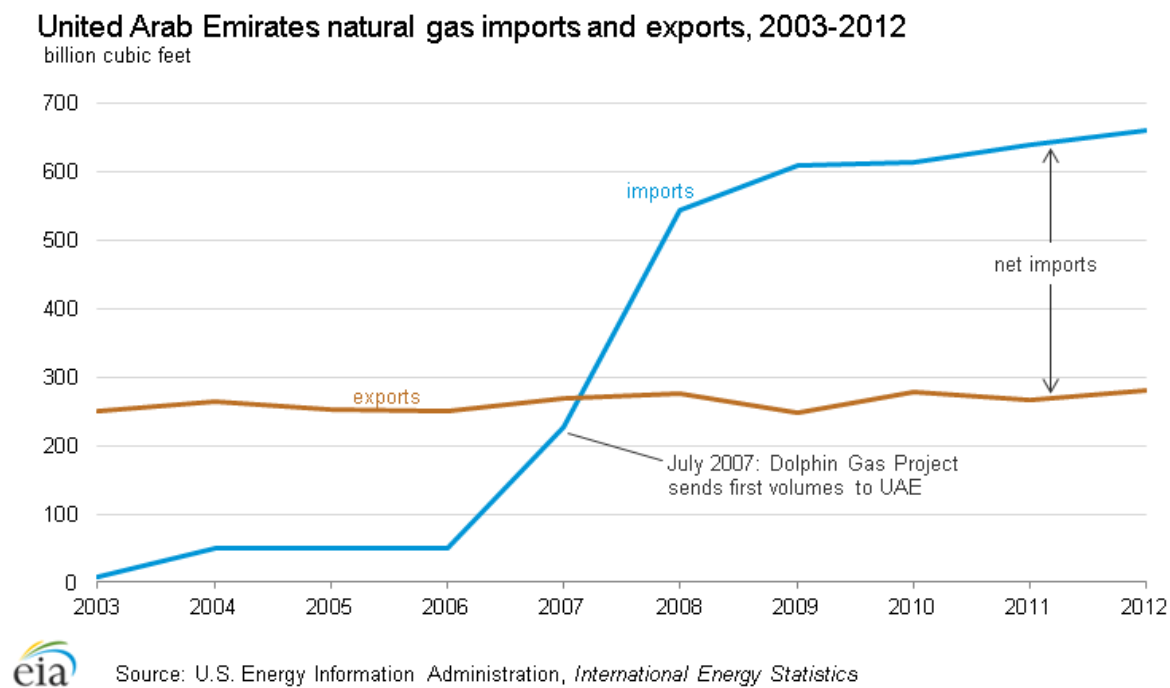


Figure 1.29:

**Top 10 natural gas reinjecting countries, 2011**

billion cubic feet

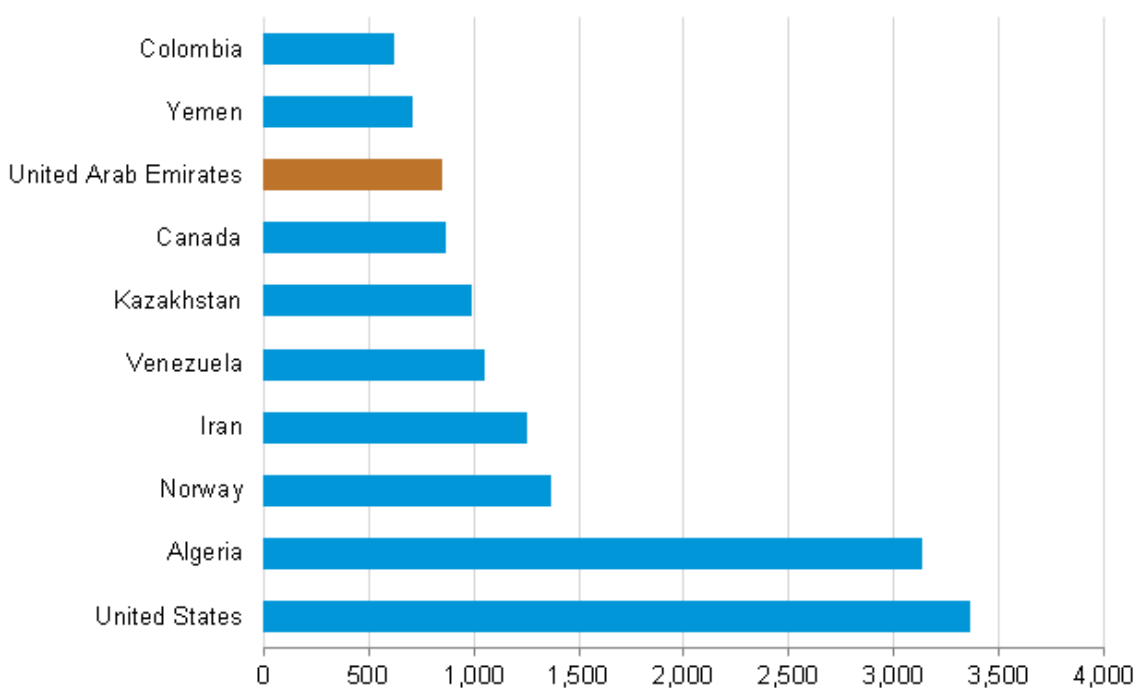
Source: U.S. Energy Information Administration, *International Energy Statistics*

Figure 1.30: UAE Military Expenditure (Source: SIPRI and [www.knoema.com](http://www.knoema.com)).

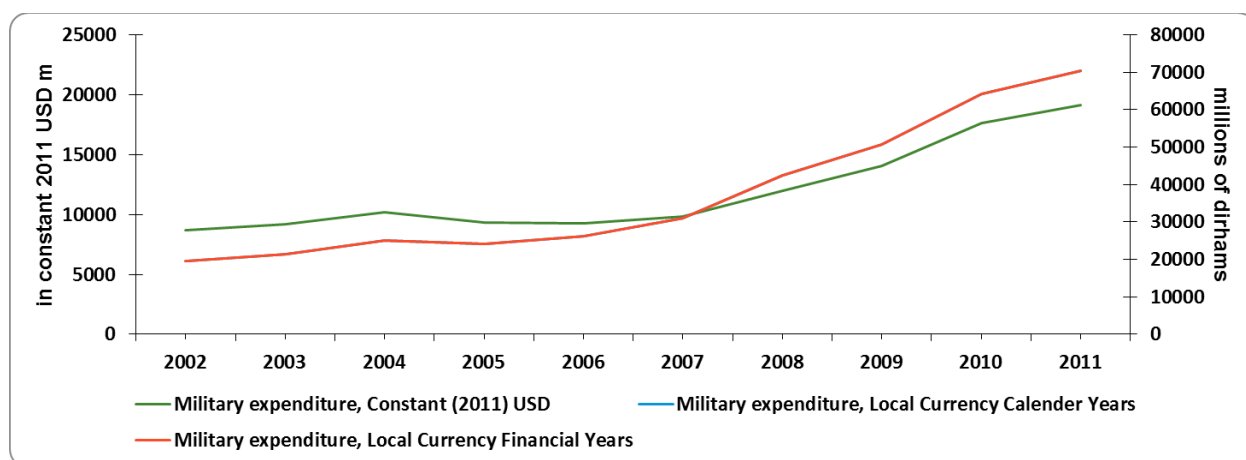


Figure 2.1: The scale of resource nationalism, depicting the overarching framework with its four components.



Figure 4.1: Select oil and gas pipeline infrastructure in the Middle East (Sources: EIA and BP).

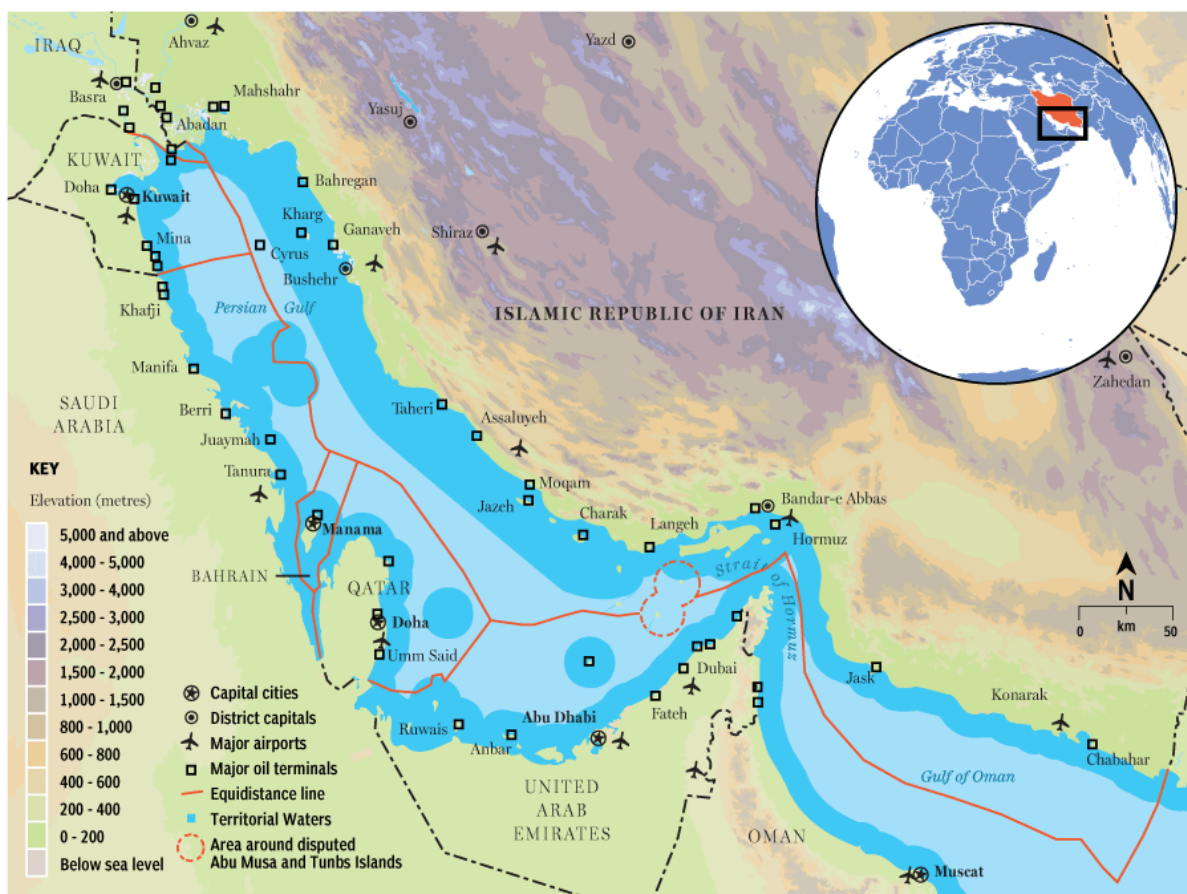
## Selected Oil and Gas Pipeline Infrastructure in the Middle East



Figure 4.2: Strait of Hormuz chokepoint graphic with theoretical median line demarcating the naval boundaries in the Persian Gulf (Sources: UN and CSIS).

### GEOGRAPHY OF A CHOKEHOLD

*The nations ringing the Persian Gulf – Bahrain, Iran, Iraq, Kuwait, Saudi Arabia, Qatar and the United Arab Emirates – produce about 30% of the world's oil, while sitting atop 57% of its crude reserves. But to get the oil to market, tankers must navigate the Strait of Hormuz, spanning only 50 km at its narrowest and susceptible to naval blockade, as Iran is now threatening.*



SOURCE: UNITED NATIONS AND THE CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES

RICHARD JOHNSON / NATIONAL POST

Figure 4.3: The Strait of Hormuz inbound and outbound channels (Source: IISS).

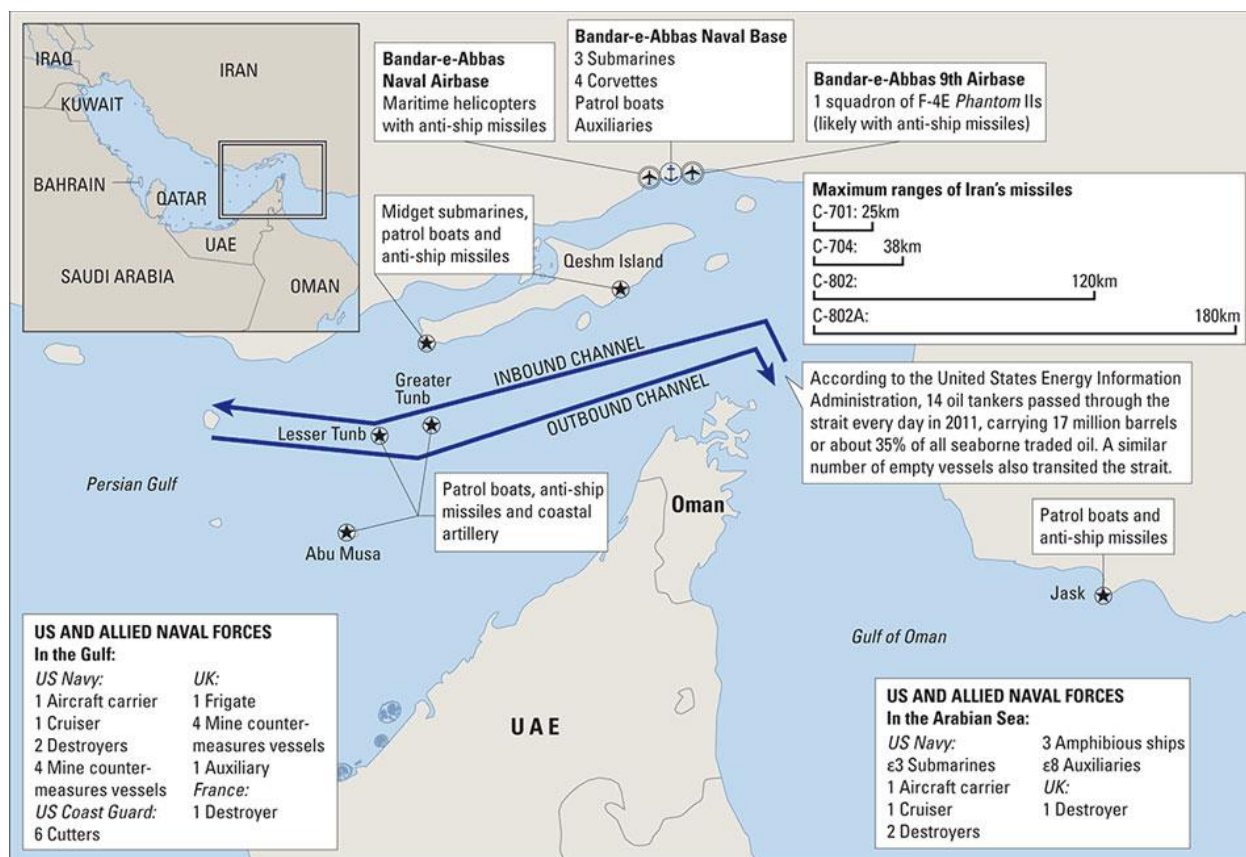




Figure 4.4: The Trans-Arabian Pipeline (orange) linking Saudi Arabian petroleum in the Persian Gulf to the Mediterranean Sea (Source: <http://www.stratfor.com/image/oil-export-alternatives-strait-hormuz>).

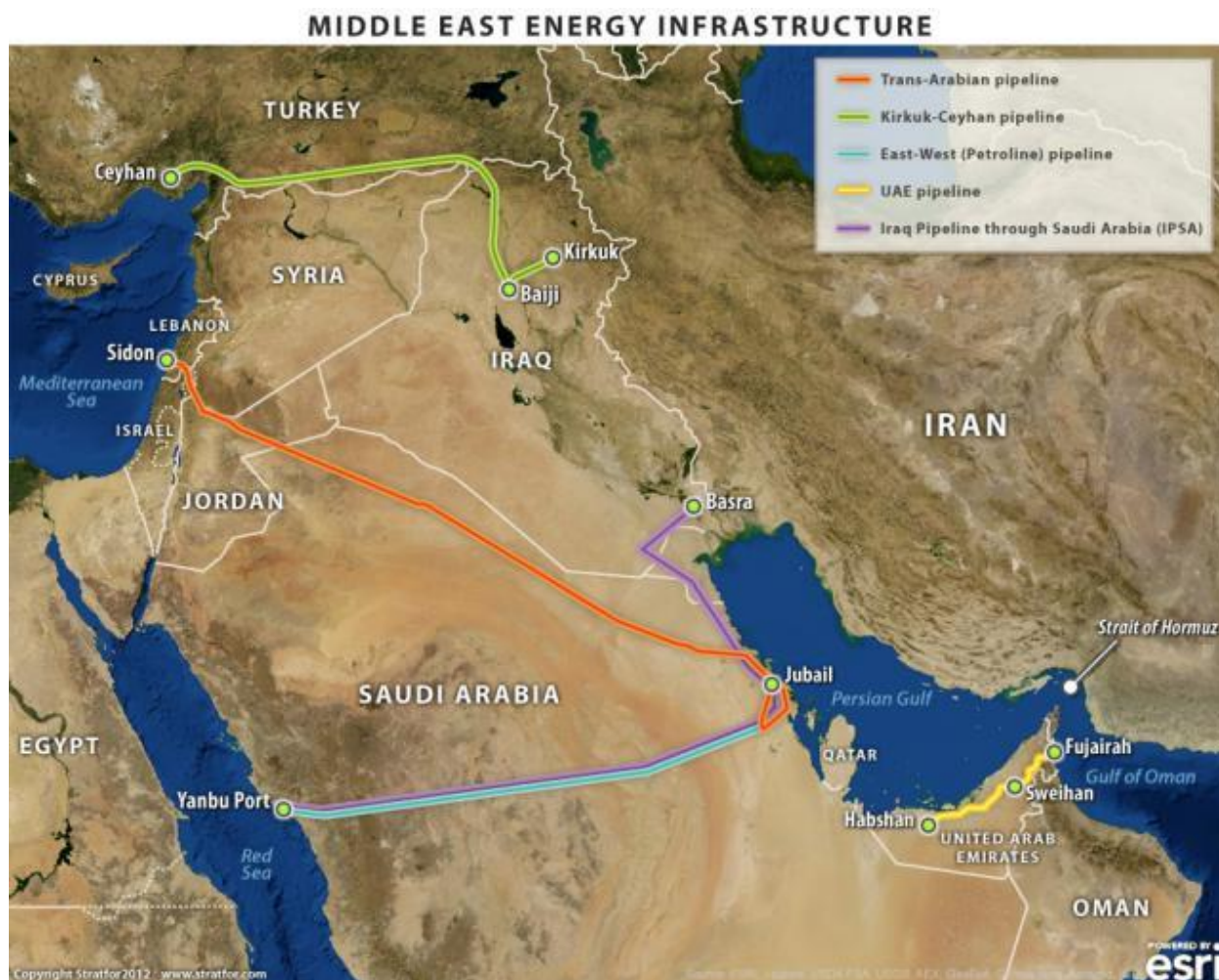




Figure 4.5: Middle East pipeline network, Yanbu port visible on the Red Sea (Source: [http://www.theodora.com/pipelines/middle\\_east\\_pipelines\\_map.jpg](http://www.theodora.com/pipelines/middle_east_pipelines_map.jpg)).



Figure 4.6: The ADCOP (Habshan to Fujaira) and Dolphin Gas Project from Qatar to the UAE  
(Source: [www.europipe.com](http://www.europipe.com)).





Figure 4.7: Sheikh Sagar of Sharjah touring the Artemis destroyer by Admiral Farajullah Rasaei.

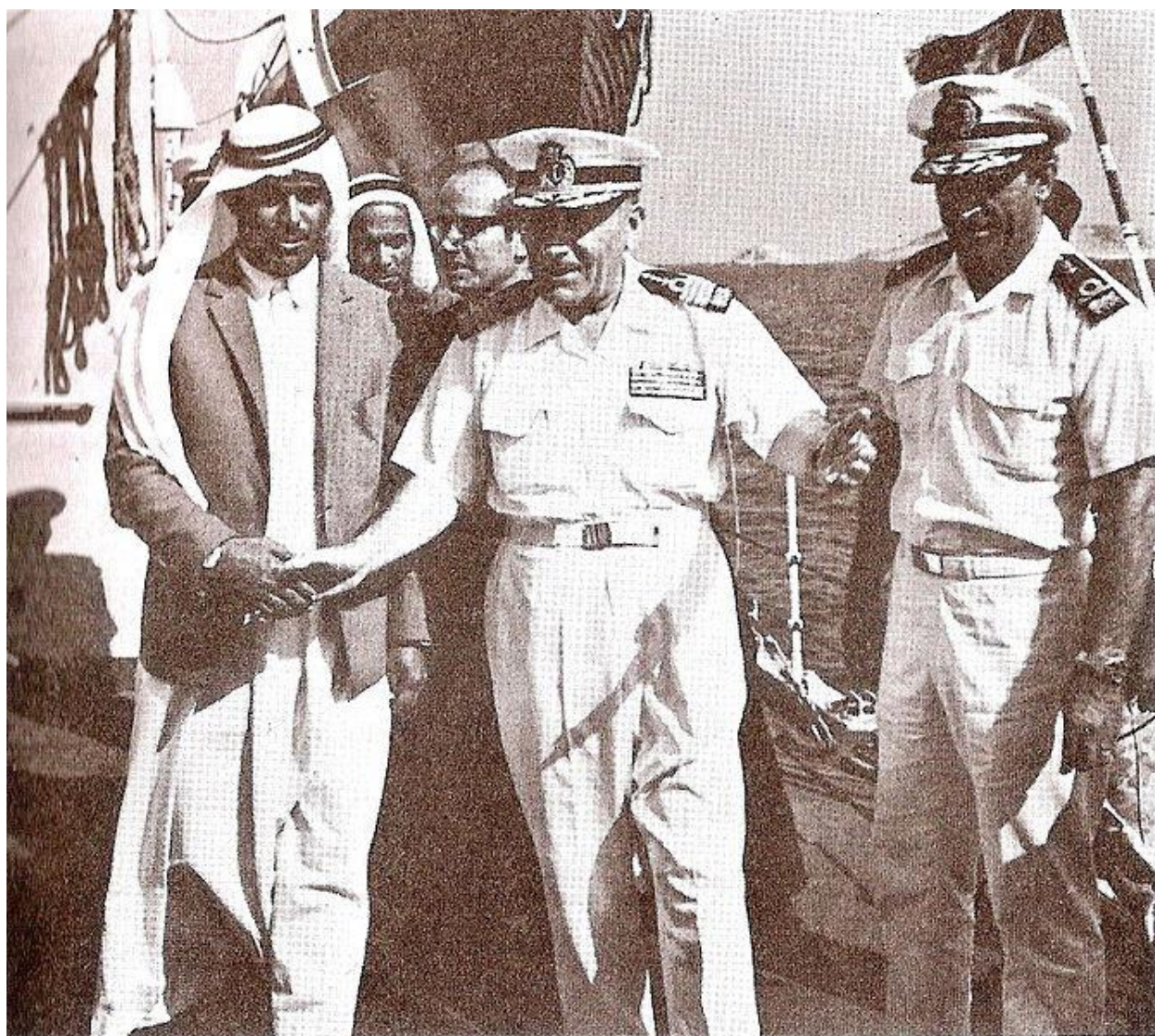
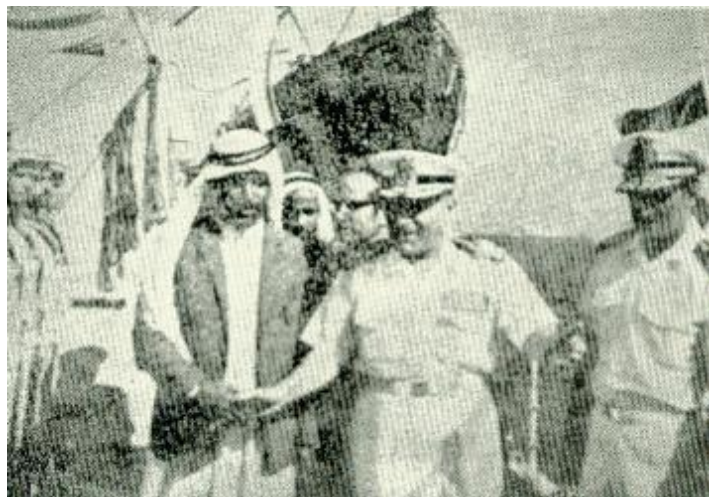




Figure 4.8: UAE oil and gas reserves, pipelines, refineries, processing plants, and terminals on the Persian Gulf (Source: <http://fanack.com/en/countries/uae/economy/oil-and-gas/>).

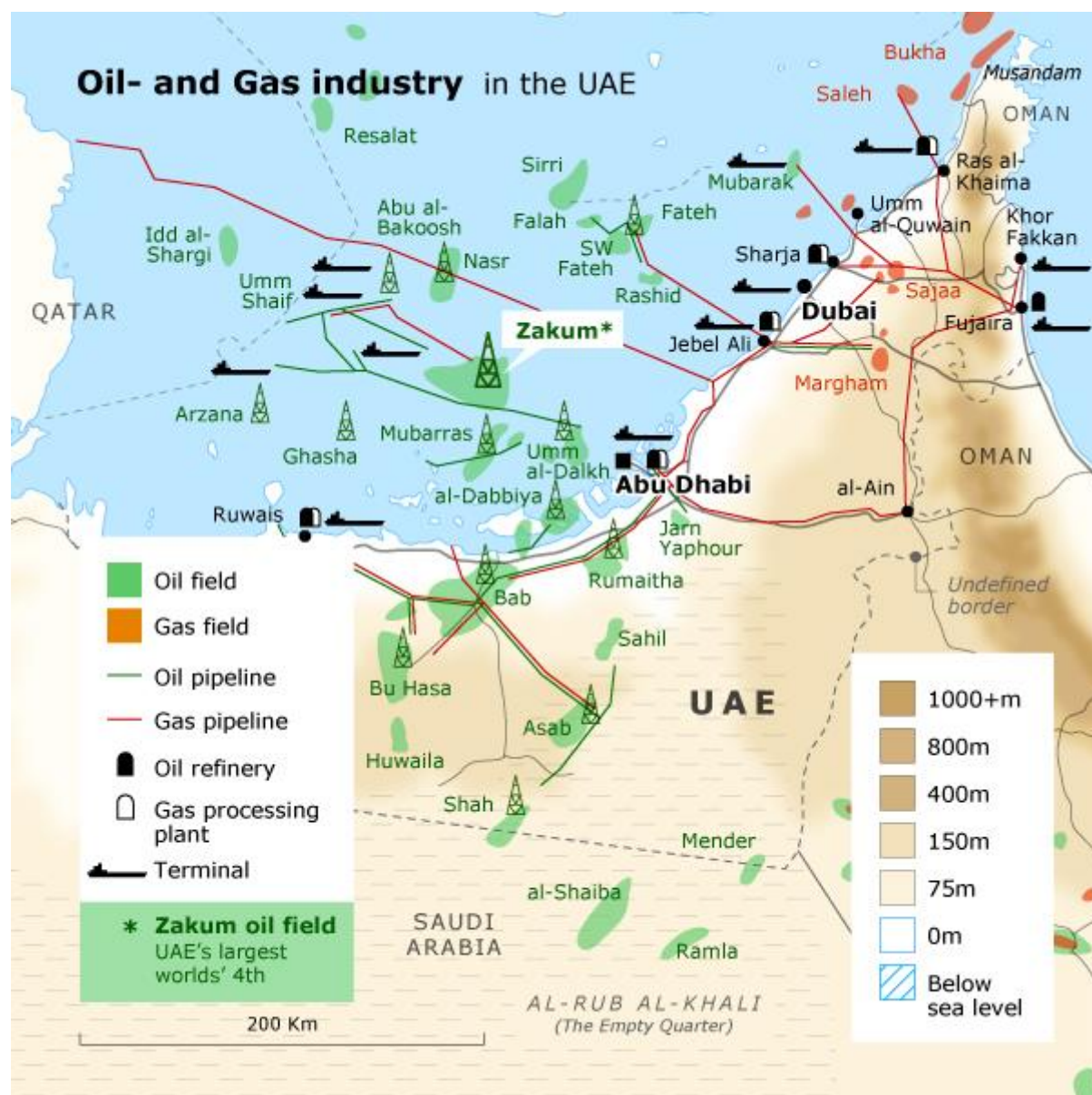


Figure 4.9: Oil reserves in the UAE (Source: <http://www.geoexpro.com/articles/2011/03/the-abu-dhabi-oil-discoveries>).



Figure 4.10: Oil and gas reserves in the UAE (Source: <http://www.hibiscuspetroleum.com/about/industry-overview/global-oil-and-gas-market.html>).

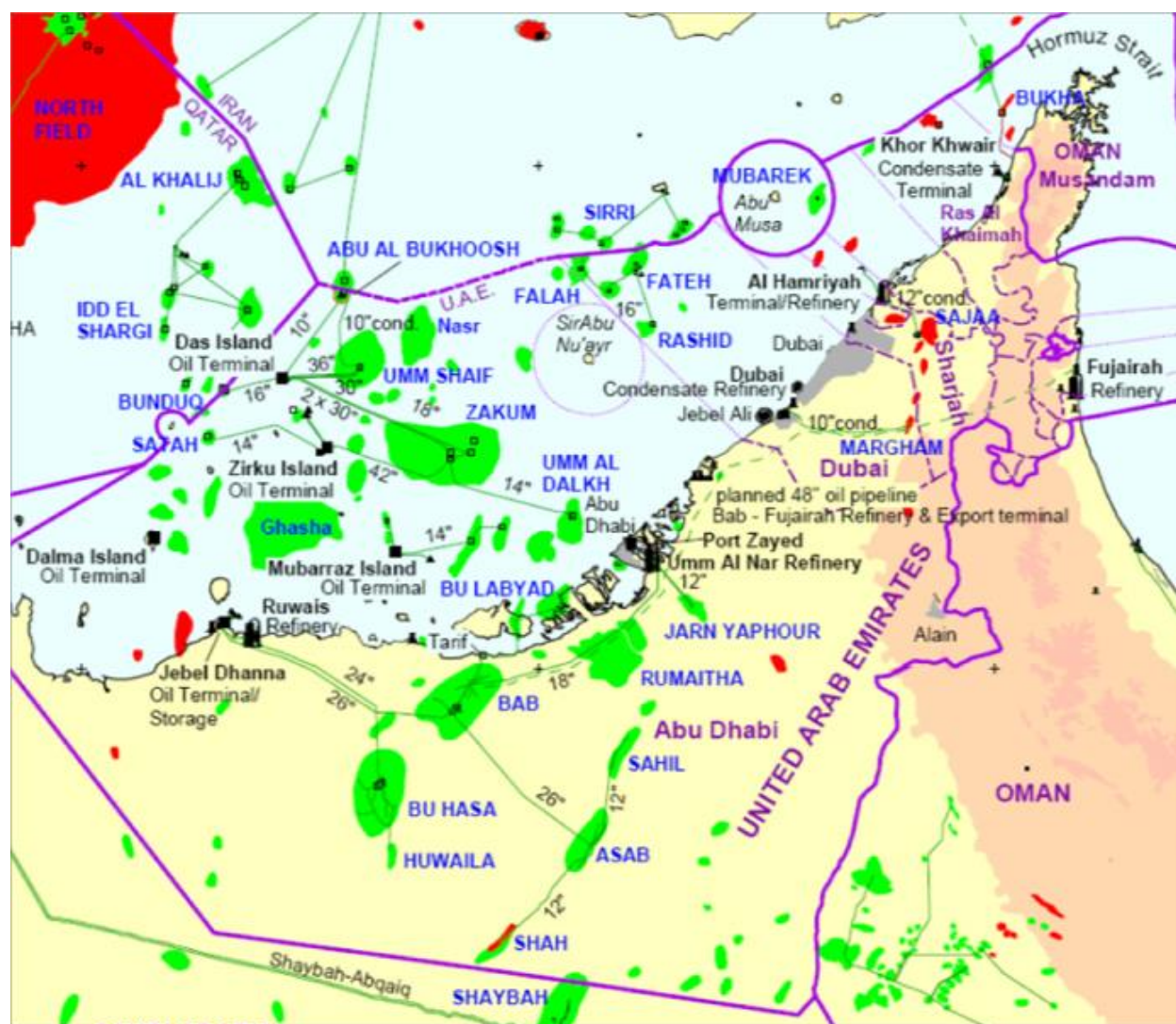




Figure 4.11: Oil and gas reserves in the Persian Gulf (Source: NIOC)

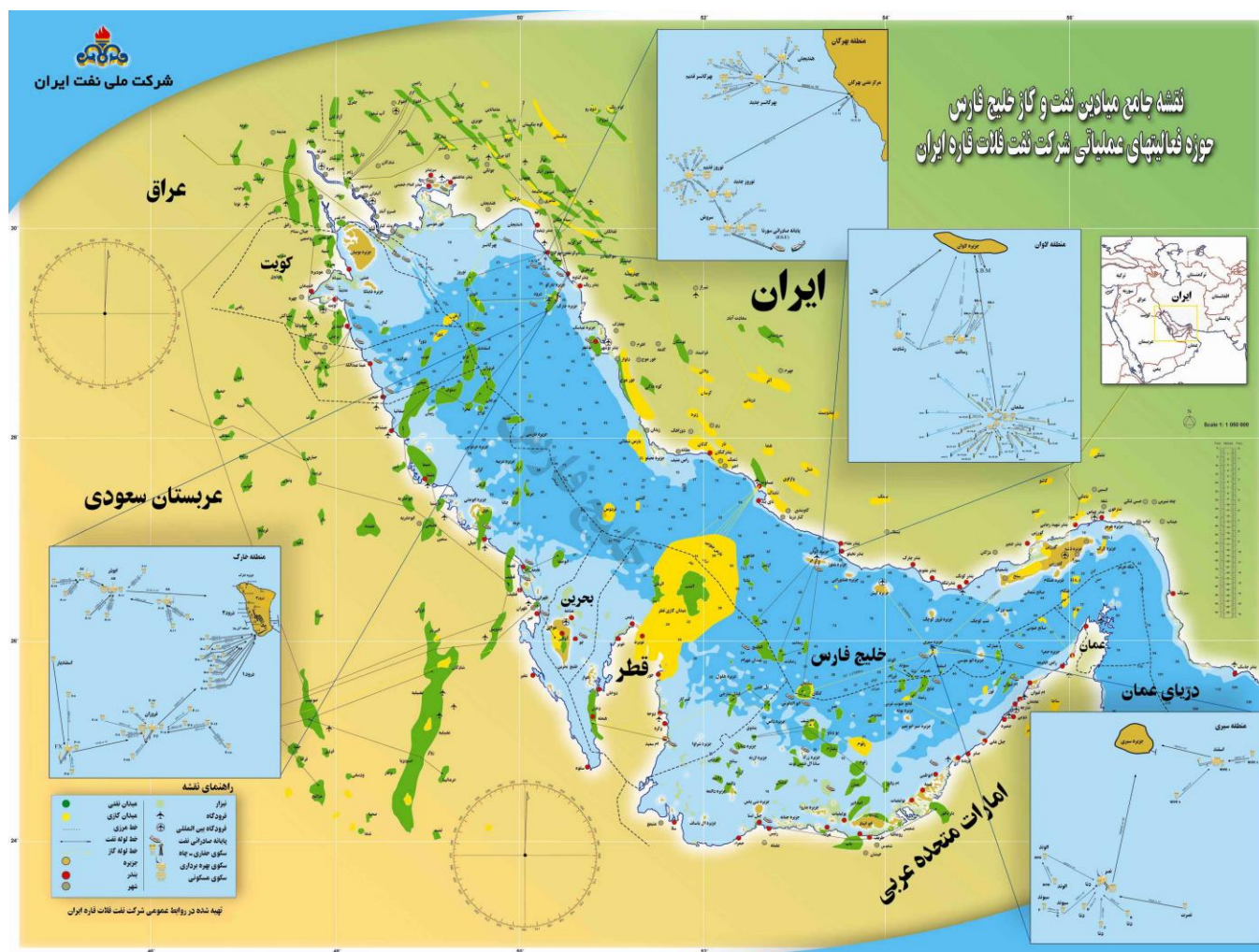


Figure 4.12: Iranian oil deposits, pipelines, and refineries as well as select gas fields (Source: EIA).

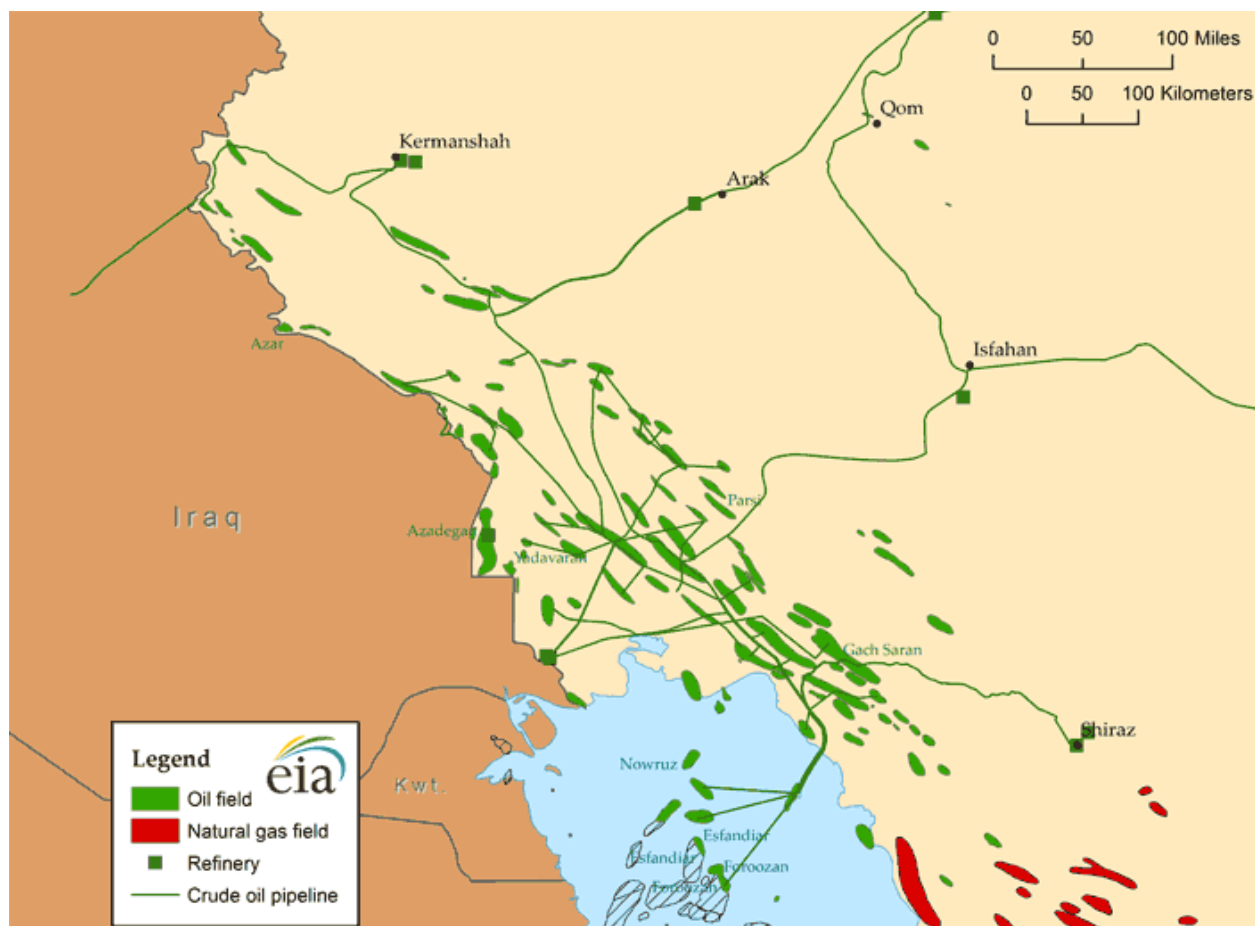




Figure 4.13: Iranian gas fields and pipelines as well as select oil deposits (Source: EIA)



Figure 4.14: Scales of resource nationalism for Iran and the UAE with application to the Abu Musa and Tunb Islands. Both Iran and the UAE exhibit constant and equally high stresses for notions of the state and nationalism. While Iran maintains an equal stress on both nation and ethnicity, reserving the ability to oscillate emphasis between the two evenly, the UAE places more stress on the notion of ethnicity rather than nation.

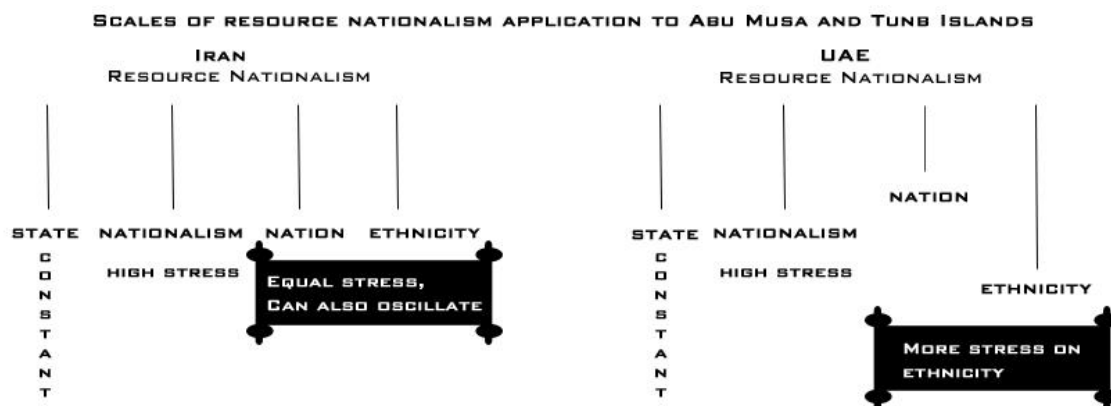


Figure 4.15: Satellite image detailing select petroleum operations in the Persian Gulf at night  
(Source: <http://geology.com/articles/oil-fields-from-space/> via <http://visibleearth.nasa.gov/>).

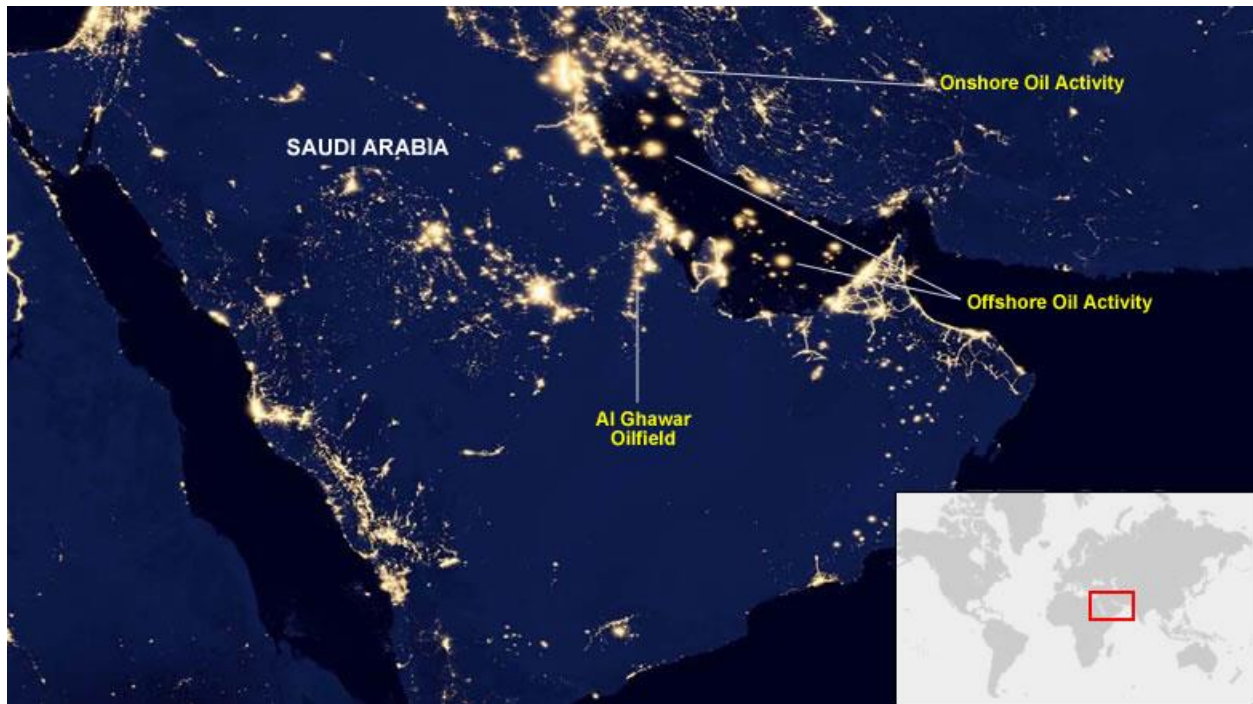


Figure 4.16: Iran oil and gas pipeline infrastructure, processing plants, and oil refineries (Source: <https://www.pfcenergy.com/>).

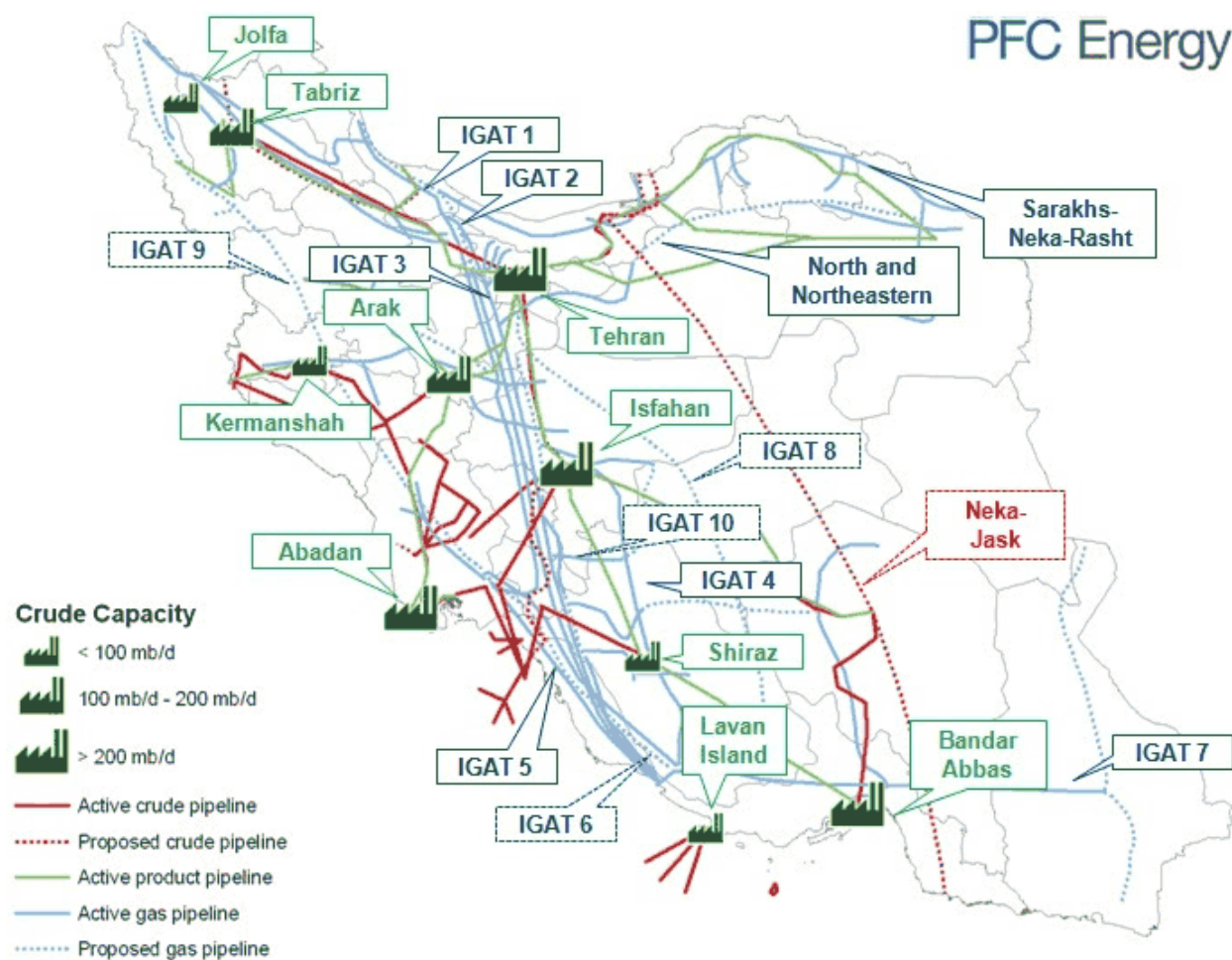


Figure 4.17: Iran oil pipeline infrastructure, refineries, and ports on the Persian Gulf (Source: EIA).



Figure 4.18: Iran gas pipeline infrastructure, processing plants, and ports on the Persian Gulf (Source: EIA).





Figure 4.19: Major Saudi Arabian oil and gas pipeline infrastructure (Source: EIA).



Figure 4.20: Saudi Arabian religious concentrations and oil deposits (Source: Stratfor).

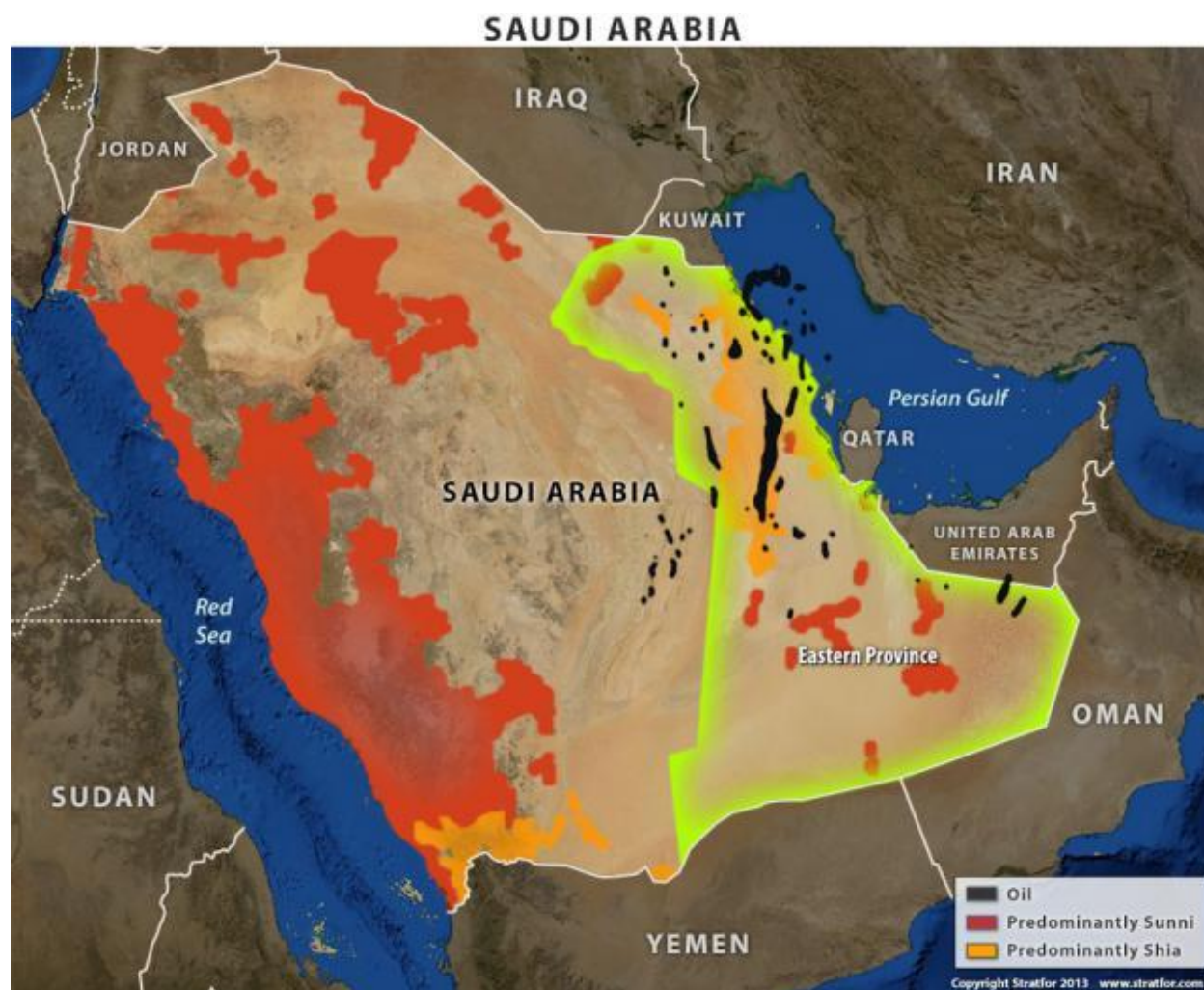




Figure: 4.21: Shia zone of the Saudi Arabian Eastern Province detailing attacked sites of Qatif and Al Awamiya (Source: Stratfor).

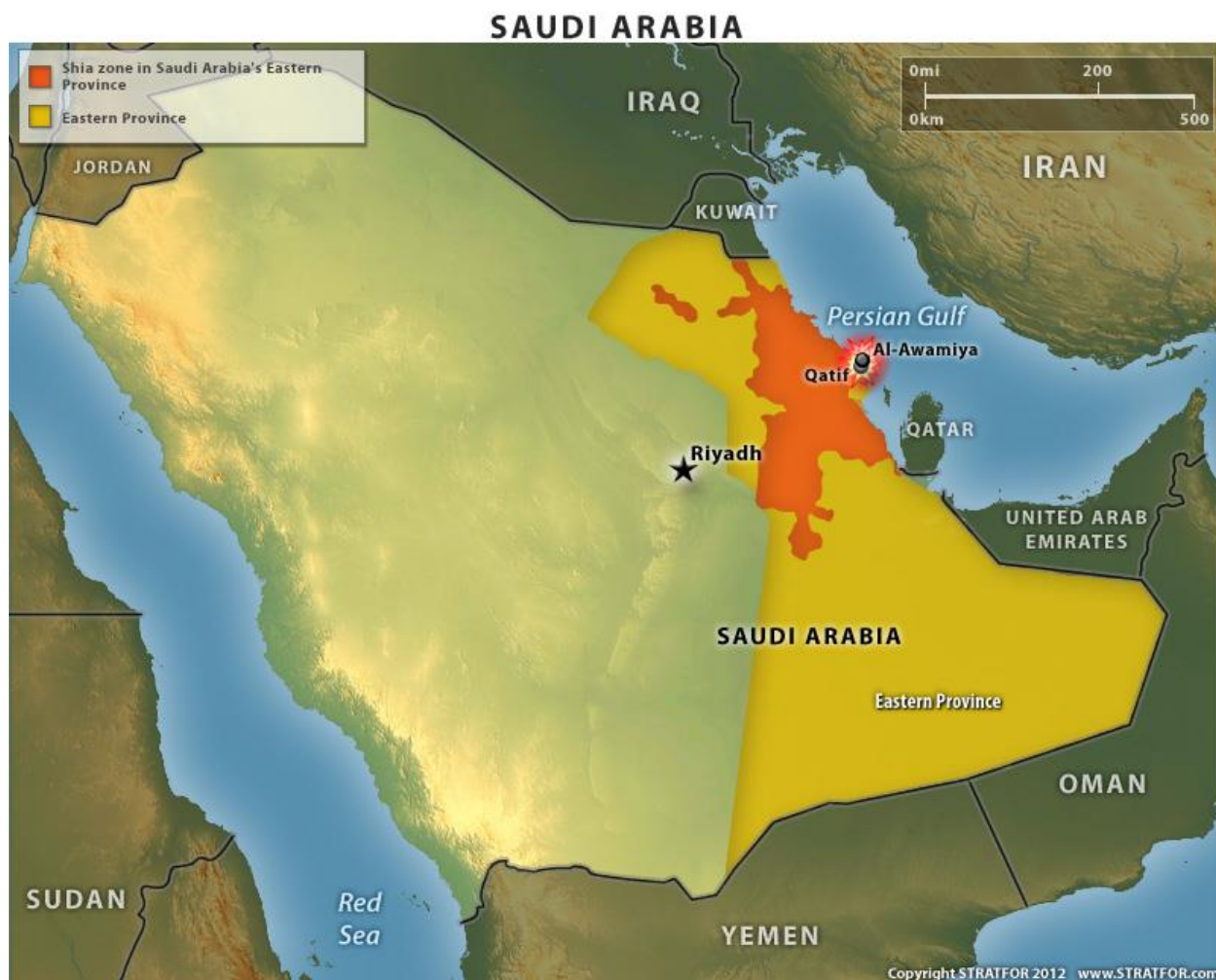


Figure 4.22: Select energy infrastructure of the UAE (Source: EIA).

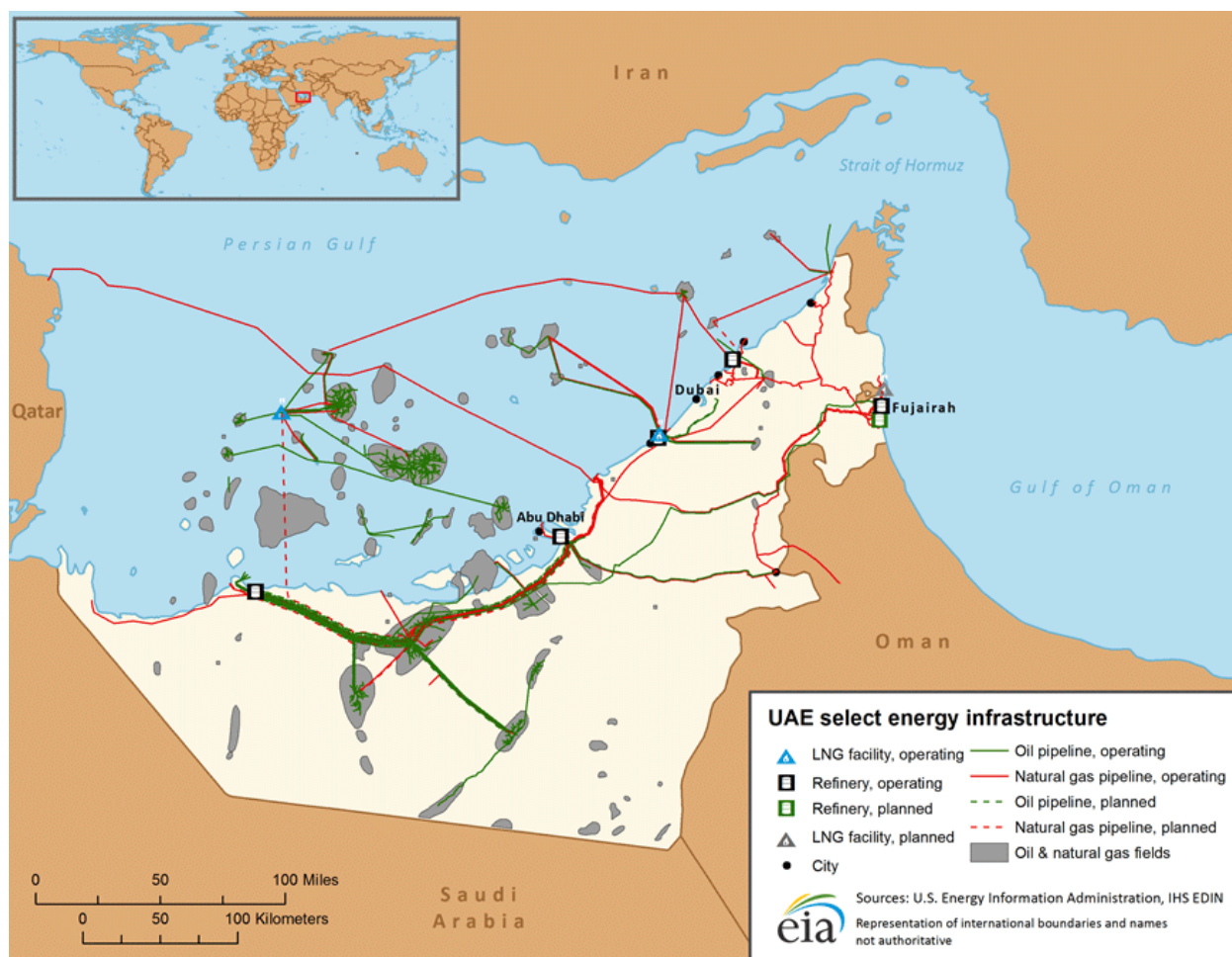


Figure 4.23: World arms trade transfer statistics for the 2009 – 2013 period (Source: SIPRI).

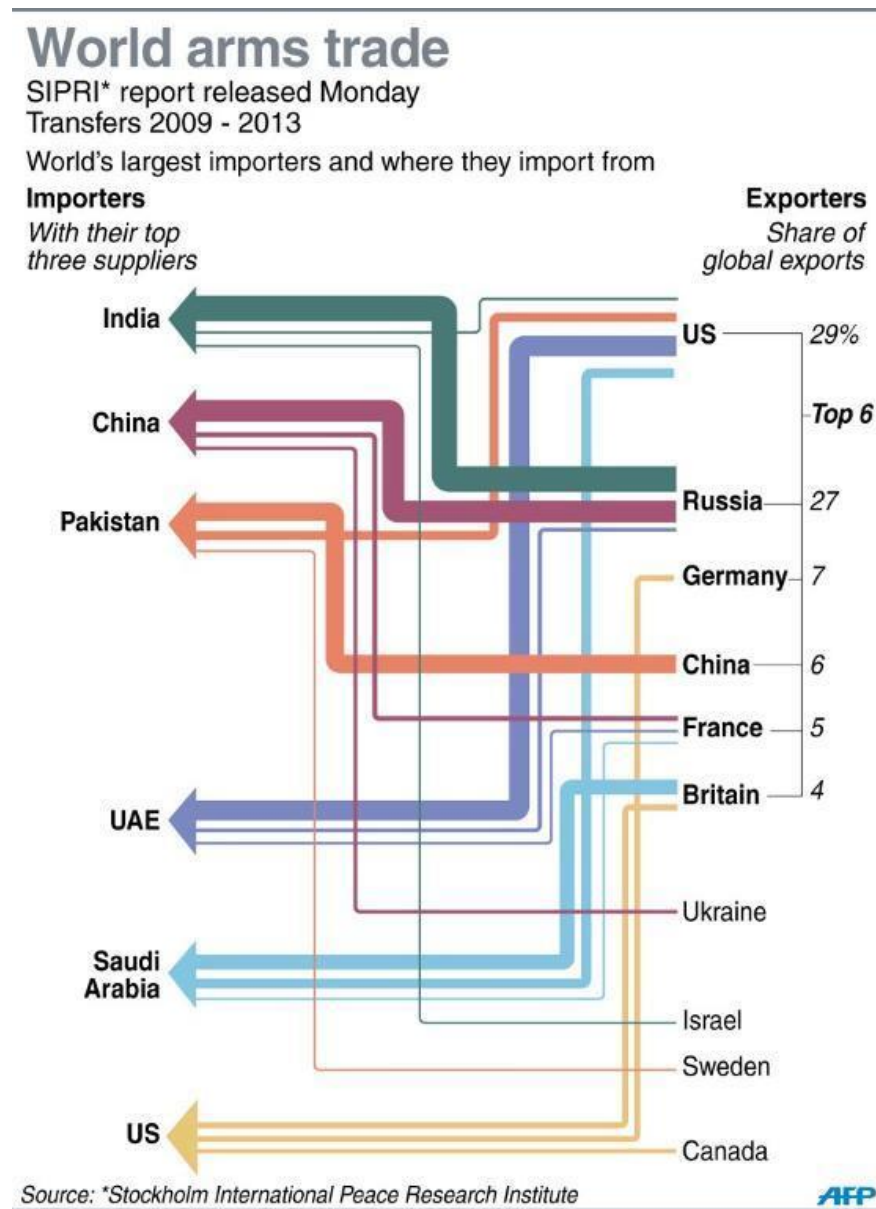


Figure 4.24: Regional USA military bases surrounding Iran as of 2011, including a site in the Indian Ocean (Source: <http://www.businessinsider.com/iran-surrounded-by-us-military-bases-2011-12>).





Figure 4.25: Foreign naval presence in the Persian Gulf (Source: RIA).

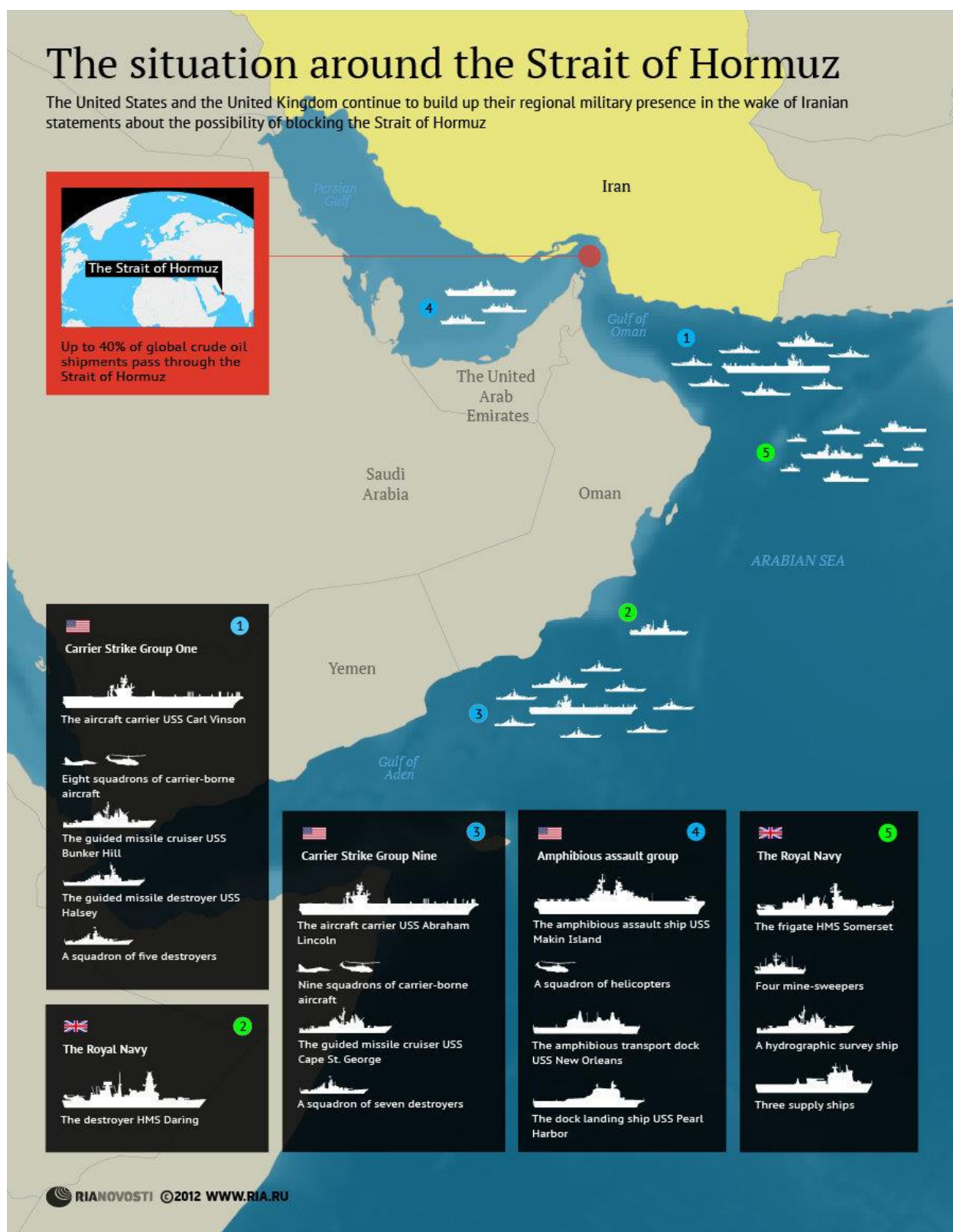


Figure 4.26: Approximate battery location, previously stocked with HY-2s<sup>268</sup>, and Kuhestak on the Strait of Hormuz (Source: Google Earth and <http://thearkenstone.blogspot.co.uk/2013/12/kouhestak-coastal-missile-battery.html>).



<sup>268</sup> NATO reporting name: Silkworm.



Figure 4.27: Satellite image of battery location off of Kuhestak that details alert shelters, hardened shelters, launch pads, firing sections, support sections, and acquisition sections (Sources: DigitalGlobe and <http://thearkenstone.blogspot.co.uk/2013/12/kouhestak-coastal-missile-battery.html>).



Figure 4.28: Abu Musa Island satellite image detailing abandoned HAWK surface-to-air missile (SAM) station (Sources: DigitalGlobe and <http://thearkenstone.blogspot.co.uk/2009/06/normal-0-false-false-false.html>).





Figure 4.29: Abu Musa Island satellite image detailing abandoned Skyguard station, most likely replaced with 23 mm AAA station (Sources: DigitalGlobe and <http://thearkenstone.blogspot.co.uk/2009/06/normal-0-false-false-false.html>).

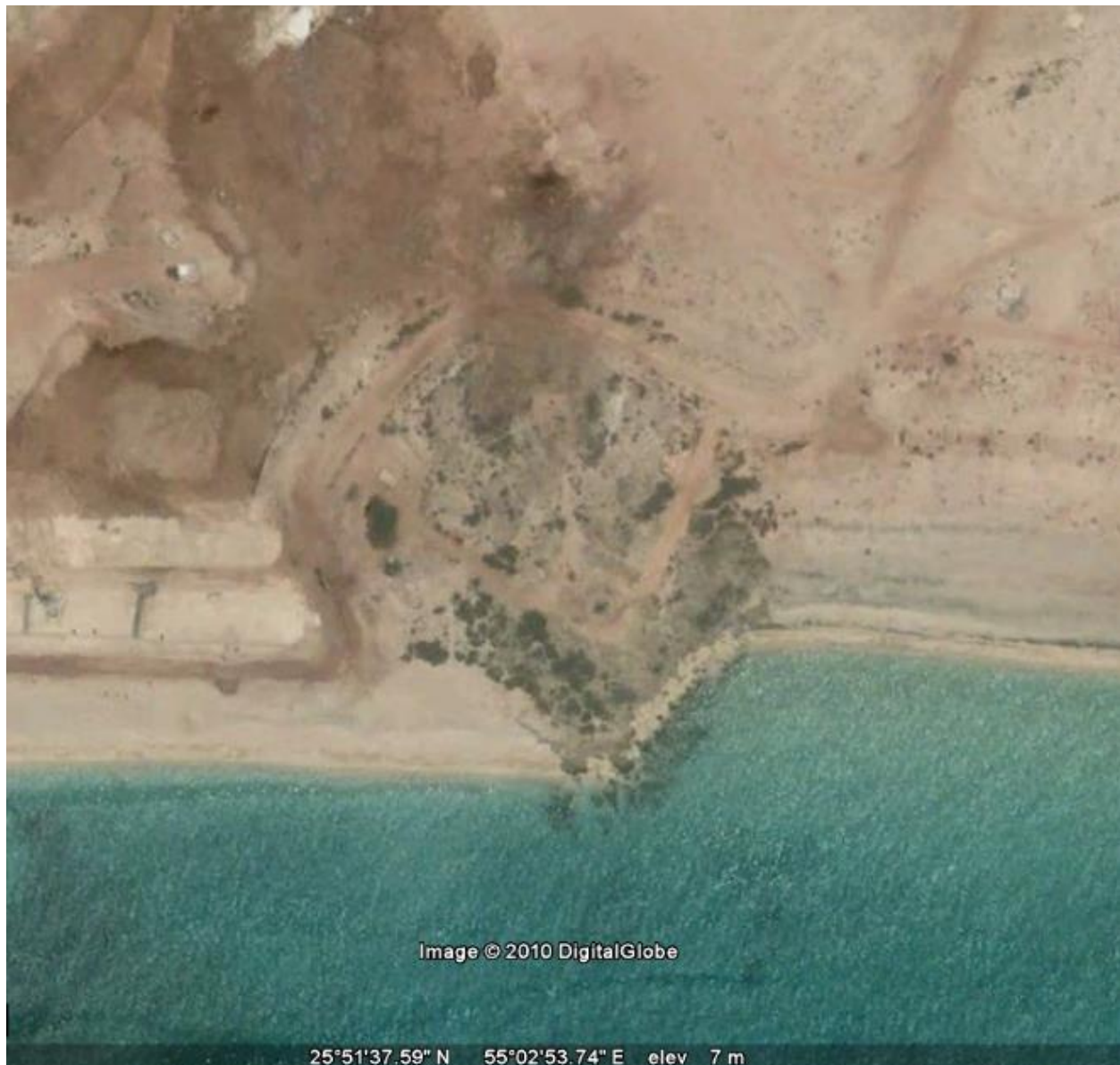


Figure 4.30: Abu Musa Island satellite image detailing heavy fortification progress on the island, which is inclusive of geographic hindrances to an amphibious assault such as a multilane ditches as well as a high firing ground for the local operatives (Source: GeoEye, Google Earth, and <http://thearkenstone.blogspot.co.uk/2012/04/new-google-earth-imagery.html>).





Figure 4.31: Abu Musa satellite image detailing a reactivated HAWK battery (Source: GeoEye, Google Earth, and <http://thearkenstone.blogspot.co.uk/2012/04/new-google-earth-imagery.html>).



Figure 4.32: Abu Musa Island satellite image detailing D-30 stations (Sources: DigitalGlobe and <http://thearkenstone.blogspot.co.uk/2009/06/normal-0-false-false-false.html>).



Figure 4.33: Abu Musa Island satellite image detailing 23 mm AAA stations with possibly 35 mm guns present, which is typically characterized with a concrete pad near a road (Sources: DigitalGlobe and <http://thearkenstone.blogspot.co.uk/2009/06/normal-0-false-false-false.html>).





Figure 4.34: Abu Musa Island satellite image detailing a northern bunker with over 10 ports that can serve for firing AShMs<sup>269</sup> or additional outlet points connected to a large centre (Sources: DigitalGlobe and <http://thearkenstone.blogspot.co.uk/2009/06/normal-0-false-false-false.html>).



<sup>269</sup> Likely inclusive of the domestically Iranian-produced Raad missile, which has a maximum range of 360 km (Source: [http://defense-update.com/newscast/0410/news/great\\_prophet\\_5\\_22042010.html](http://defense-update.com/newscast/0410/news/great_prophet_5_22042010.html)).

Figure 4.35: Abu Musa Island satellite image detailing hardened military bunkers in the south-central section of the island (Sources: DigitalGlobe and <http://thearkenstone.blogspot.co.uk/2009/06/normal-0-false-false-false.html>).



Figure 4.36: Abu Musa Island satellite image detailing above-ground hardened military bunkers in the south-eastern section of the island (Sources: DigitalGlobe and <http://thearkenstone.blogspot.co.uk/2009/06/normal-0-false-false-false.html>).





Figure 4.37: Abu Musa Island satellite image detailing tank deployment on the island (Sources: DigitalGlobe and <http://thearkenstone.blogspot.co.uk/2009/06/normal-0-false-false-false.html>).



Figure 4.38: Abu Musa Island satellite image detailing possible bunker locations, however, this could also be a tactical Iranian illusion used for the purpose of inflating island presence and defence capabilities (Sources: DigitalGlobe and <http://thearkenstone.blogspot.co.uk/2009/06/normal-0-false-false-false.html>).

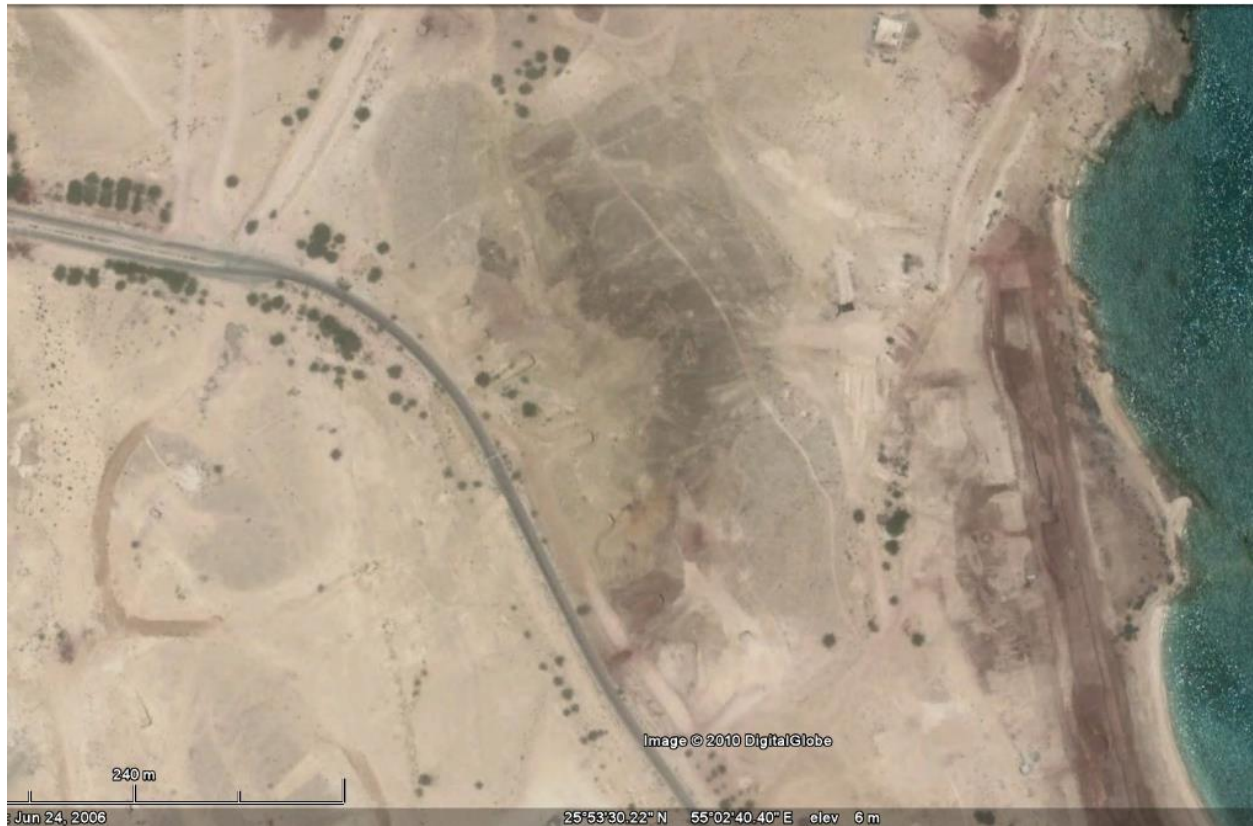


Figure 4.39: Ranges of D-30 and 155mm in the Persian Gulf from the Greater Tunb Island. Implications of a launch would be that international waters are 12 nautical miles outside the Greater Tunb Island, which is certainly within the range of either launch system (Sources: Europa Technologies, US Department of State Geographer, Google Earth, and <http://thearkenstone.blogspot.co.uk/2011/12/greater-tunb-imint.html>).



Figure 4.40: Greater Tunb Island satellite image detailing fortifications and guard posts (Sources: DigitalGlobe, Google Earth, and <http://thearkenstone.blogspot.co.uk/2011/12/greater-tunb-imint.html>).





Figure 4.41: Greater Tunb satellite image detailing D-30 artillery and unidentified artillery, most likely to be 155 mm in size (Sources: DigitalGlobe, Google Earth, and <http://thearkenstone.blogspot.co.uk/2011/12/greater-tunb-imint.html>).



Figure 4.42: Greater Tunb Island satellite image detailing hardened shelters and possible underground facilities (Sources: DigitalGlobe, Google Earth, and <http://thearkenstone.blogspot.co.uk/2011/12/greater-tunb-imint.html>).





Figure 4.43: Greater Tunb Island satellite image detailing 23mm AAA stations (Sources: DigitalGlobe, Google Earth, and <http://thearkenstone.blogspot.co.uk/2011/12/greater-tunb-imint.html>).



Figure 4.44: Lesser Tunb Island satellite image detailing hardened bunkers, airstrip, D-30 artillery station, port, suspected military bunker complex, and military bunker complex under construction (Sources: DigitalGlobe, Google Earth, and <http://thearkenstone.blogspot.co.uk/2009/08/lesser-tunb-island-analysis.html>).





Figure 4.45: Lesser Tunb Island satellite image detailing 23 mm AAA stations (Sources: DigitalGlobe, Google Earth, and <http://thearkenstone.blogspot.co.uk/2009/08/lesser-tunb-island-analysis.html>).



Figure 4.46: Lesser Tunb Island satellite image detailing a military bunker under construction to the southeast of the island (Sources: DigitalGlobe, Google Earth, and <http://thearkenstone.blogspot.co.uk/2009/08/lesser-tunb-island-analysis.html>).





Figure 4.47: Lesser Tunb Island satellite image detailing hardened shelters (Sources: DigitalGlobe, Google Earth, and <http://thearkenstone.blogspot.co.uk/2009/08/lesser-tunb-island-analysis.html>).



Figure 4.48: Lesser Tunb Island satellite image detailing far central-east hardened military bunker positioning (Sources: DigitalGlobe, Google Earth, and <http://thearkenstone.blogspot.co.uk/2009/08/lesser-tunb-island-analysis.html>).





Figure 4.49: Sirri Island satellite image detailing an airstrip, locations of AA weaponry, possible Skyguard location, and hardened bunkers (Sources: DigitalGlobe, Google Earth, and <http://thearkenstone.blogspot.co.uk/2009/08/sirri-island-analysis.html>).



Figure 4.50: Satellite image of Sirri Island detailing presence of nine individually hardened fortified bunkers that could have the possibility of being interconnected (Sources: DigitalGlobe, Google Earth, and <http://thearkenstone.blogspot.co.uk/2009/08/sirri-island-analysis.html>).



Figure 4.51: Satellite image of Sirri Island depicting air defence that is provided by gun sites of 35 mm calibre, although some other sites could be of 23 mm calibre. This eastern side of the runway on the island is a point in a typical V-formation for a Skyguard radar setup (Sources: DigitalGlobe, Google Earth, and <http://thearkenstone.blogspot.co.uk/2009/08/sirri-island-analysis.html>).

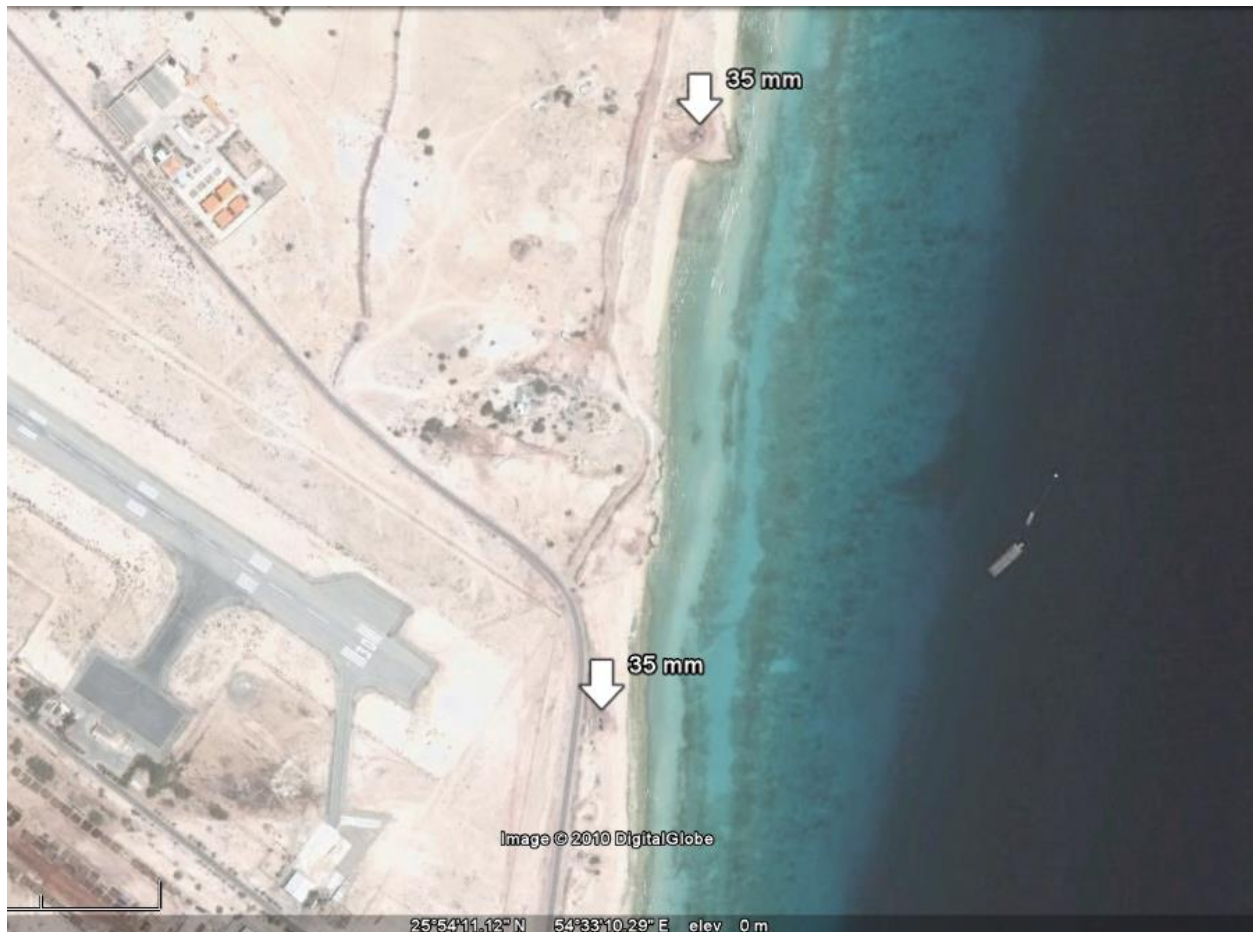




Figure 4.52: Satellite image of Sirri Island detailing the Western side of the runway with two AA machinegun sites of either 23 mm or 35 mm calibre (Sources: DigitalGlobe, Google Earth, and <http://thearkenstone.blogspot.co.uk/2009/08/sirri-island-analysis.html>).





Figure 4.53: Satellite image of Sirri Island detailing possible position of Skyguard radar site (Sources: DigitalGlobe, Google Earth, and <http://thearkenstone.blogspot.co.uk/2009/08/sirri-island-analysis.html>).



Figure 4.54: Satellite image of Sirri Island to the far west that detail a cluster of empty buildings as well as empty AAA sites. While there may be a military purpose for the island, it is also abandoned or disused (Sources: DigitalGlobe, Google Earth, and <http://thearkenstone.blogspot.co.uk/2009/08/sirri-island-analysis.html>).



Figure 4.55: Satellite image of Sirri Island detailing a broadcast tower that may or may not have military relations (Sources: DigitalGlobe, Google Earth, and <http://thearkenstone.blogspot.co.uk/2009/08/sirri-island-analysis.html>).





Figure 4.56: Qeshm Island satellite image detailing an air defense site, naval base, and two launch zones (Sources: DigitalGlobe, GeoEye, Google Earth, CNES/Spot Image and <http://thearkenstone.blogspot.co.uk/2009/08/qeshm-island-analysis.html>).



Figure 4.57: Qeshm Island satellite image of the naval base facing the Strait of Hormuz detailing a guard post, possible AAA sites, helipad, and 23 mm AA sites (Sources: DigitalGlobe, Google Earth, TerraMetrics and <http://thearkenstone.blogspot.co.uk/2009/08/qeshm-island-analysis.html>).



Figure 4.58: Qeshm Island satellite image detailing Launch Zone 1 hardened shelters and revetments (Sources: DigitalGlobe, Google Earth, and <http://thearkenstone.blogspot.co.uk/2009/08/qeshm-island-analysis.html>).



Figure 4.59: Qeshm Island satellite image of Launch Zone 1 detailing a hardened shelter (Sources: DigitalGlobe, Google Earth, and <http://thearkenstone.blogspot.co.uk/2009/08/qeshm-island-analysis.html>).



Figure 4.60: Qeshm Island satellite image detailing Launch Zone 1 revetments (Sources: DigitalGlobe, Google Earth, and <http://thearkenstone.blogspot.co.uk/2009/08/qeshm-island-analysis.html>).





Figure 4.61: Qeshm Island satellite image detailing Launch Zone 2 revetments behind a hill that signifying independent targetting stations (Sources: DigitalGlobe, Google Earth, and <http://thearkenstone.blogspot.co.uk/2009/08/qeshm-island-analysis.html>).



Figure 4.62: Qeshm Island satellite image detailing Launch Zone 2 and the steep hill that could impede on trajectories should there not be independent targetting stations (Sources: DigitalGlobe, GeoEye, Google Earth, TerraMetrics and <http://thearkenstone.blogspot.co.uk/2009/08/qeshm-island-analysis.html>).

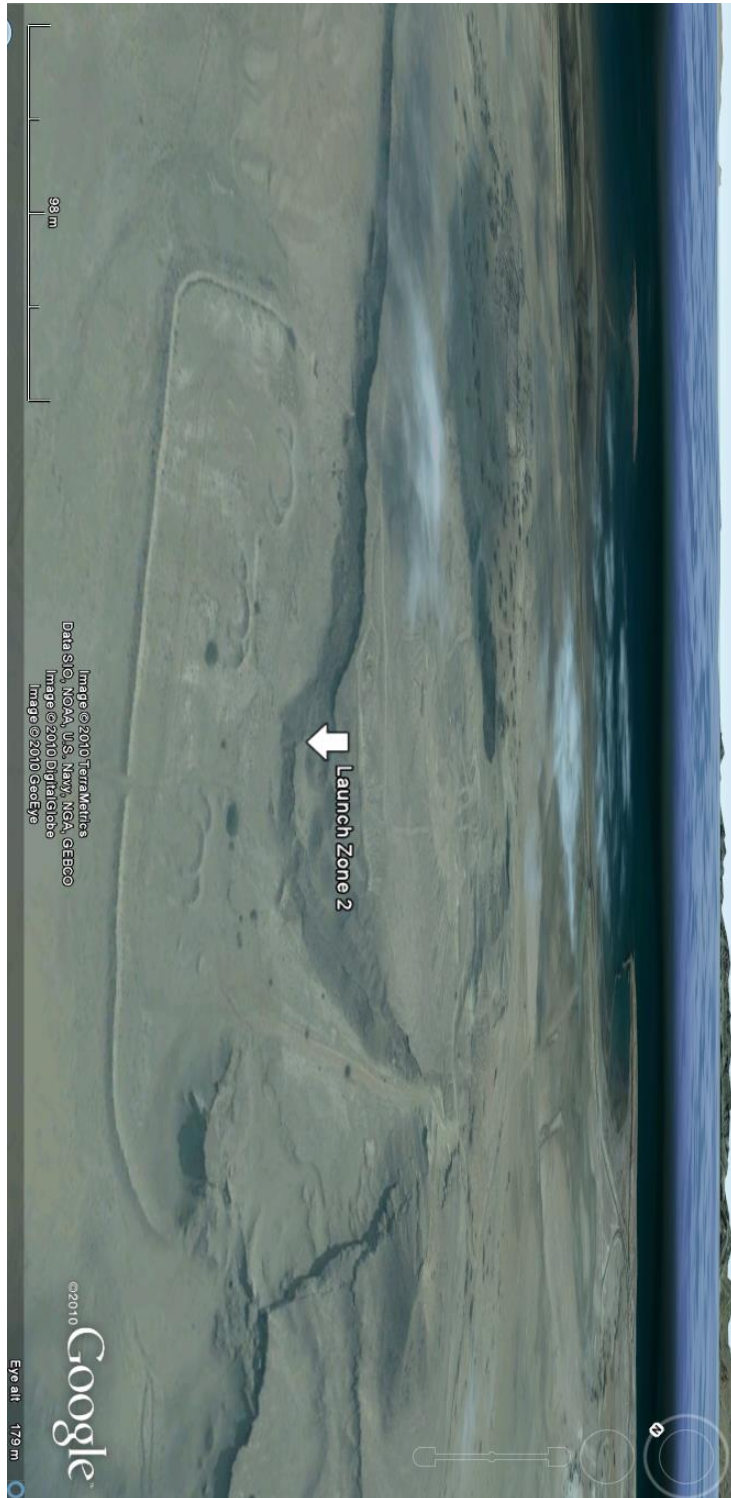


Figure 4.63: Larak Island satellite image, one of the easternmost Iranian island in the Persian Gulf, detailing possible AAA sites, AShM reventments, lookout points, and local buildings. The thin white lines throughout the island are roads (Sources: DigitalGlobe, Google Earth, TerraMetrics, and <http://thearkenstone.blogspot.co.uk/2011/01/larak-island.html>).

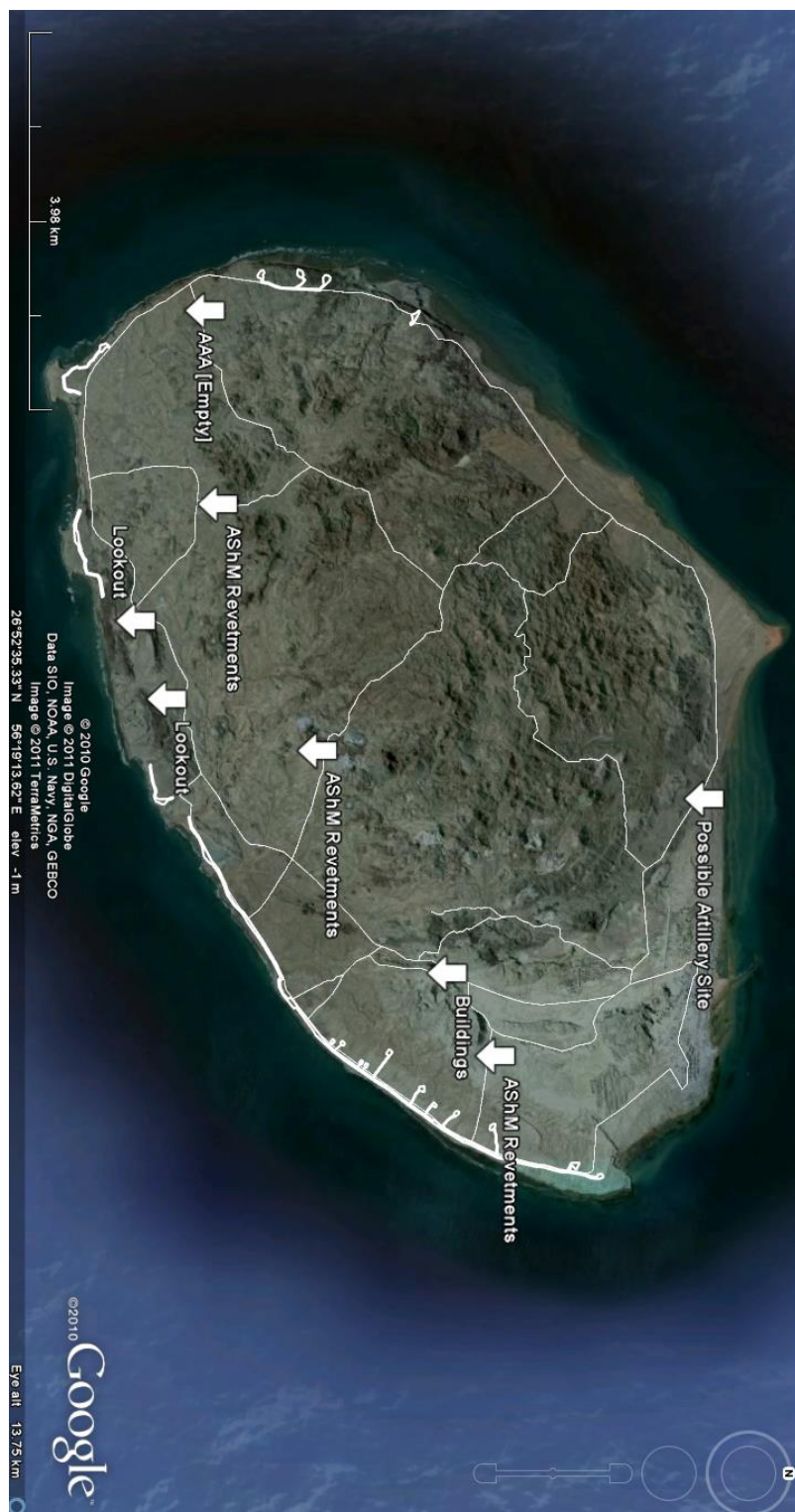




Figure 4.64: Larak Island satellite image detailing two circular formations of AAA pads  
(Sources: DigitalGlobe, Google Earth, Europa Technologies, and <http://thearkenstone.blogspot.co.uk/2011/01/larak-island.html>).



Figure 4.65: Larak Island satellite image detailing three-pronged AShM revetments (Sources: DigitalGlobe, Google Earth, Europa Technologies, and <http://thearkenstone.blogspot.co.uk/2011/01/larak-island.html>).

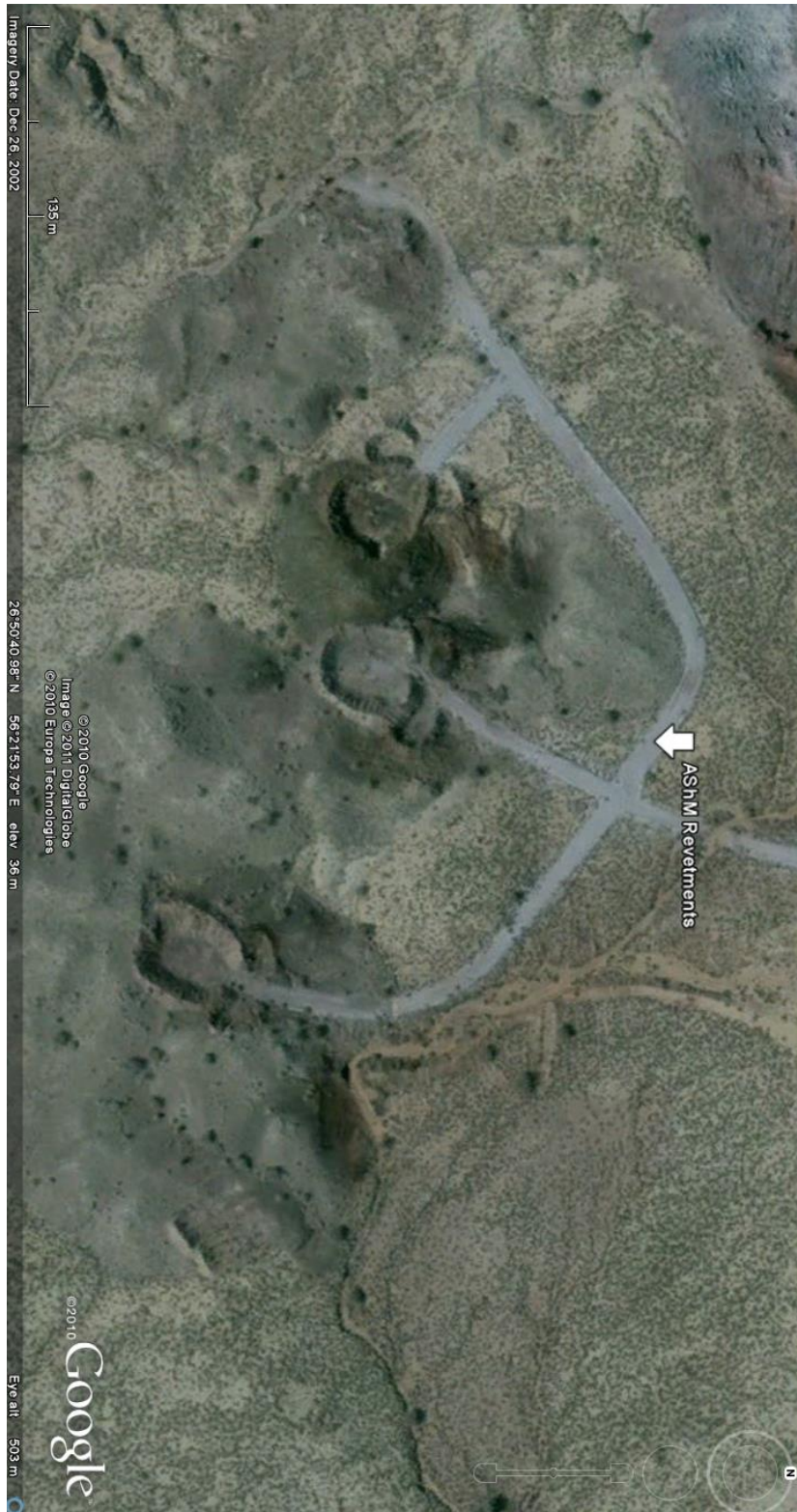




Figure 4.66: Larak Island satellite image detailing lookout points (Sources: DigitalGlobe, Google Earth, Europa Technologies, and <http://thearkenstone.blogspot.co.uk/2011/01/larak-island.html>).

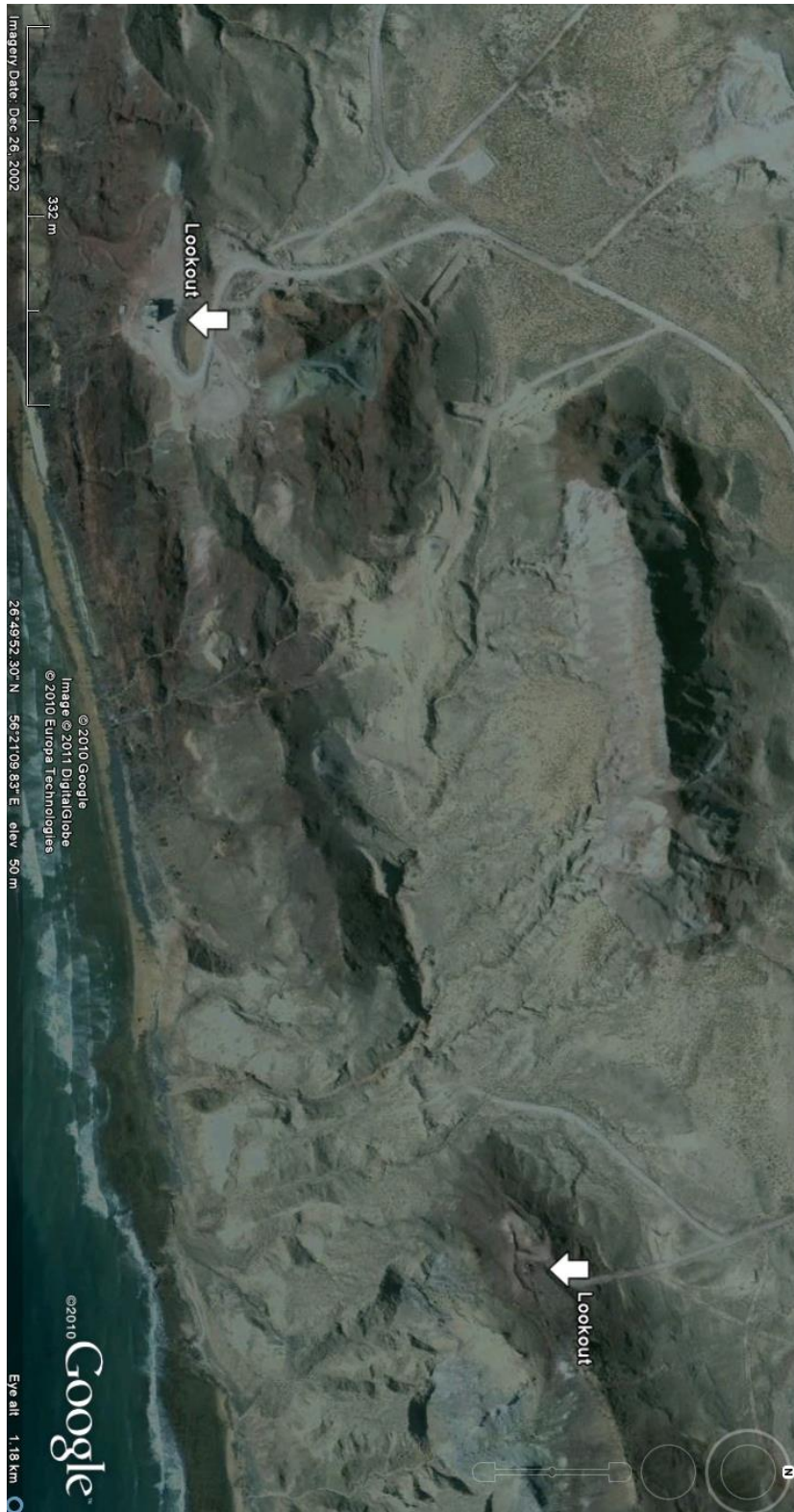


Figure 4.67: Larak Island satellite image detailing buildings with broadcast towers (Sources: DigitalGlobe, Google Earth, Europa Technologies, and <http://thearkenstone.blogspot.co.uk/2011/01/larak-island.html>).





Figure 4.68: Select Iranian missile launch capabilities, detailing HQ-2 sites (red), HAWK sites (orange), S-200 sites (purple), 2K12 “Kub” sites (bright green), and Tor-M1E sites (faded green). It should be noted that domestically-produced Iranian missiles have not been factored into this image (Source: <http://www.ausairpower.net/APA-Iran-SAM-Deployment.html>)

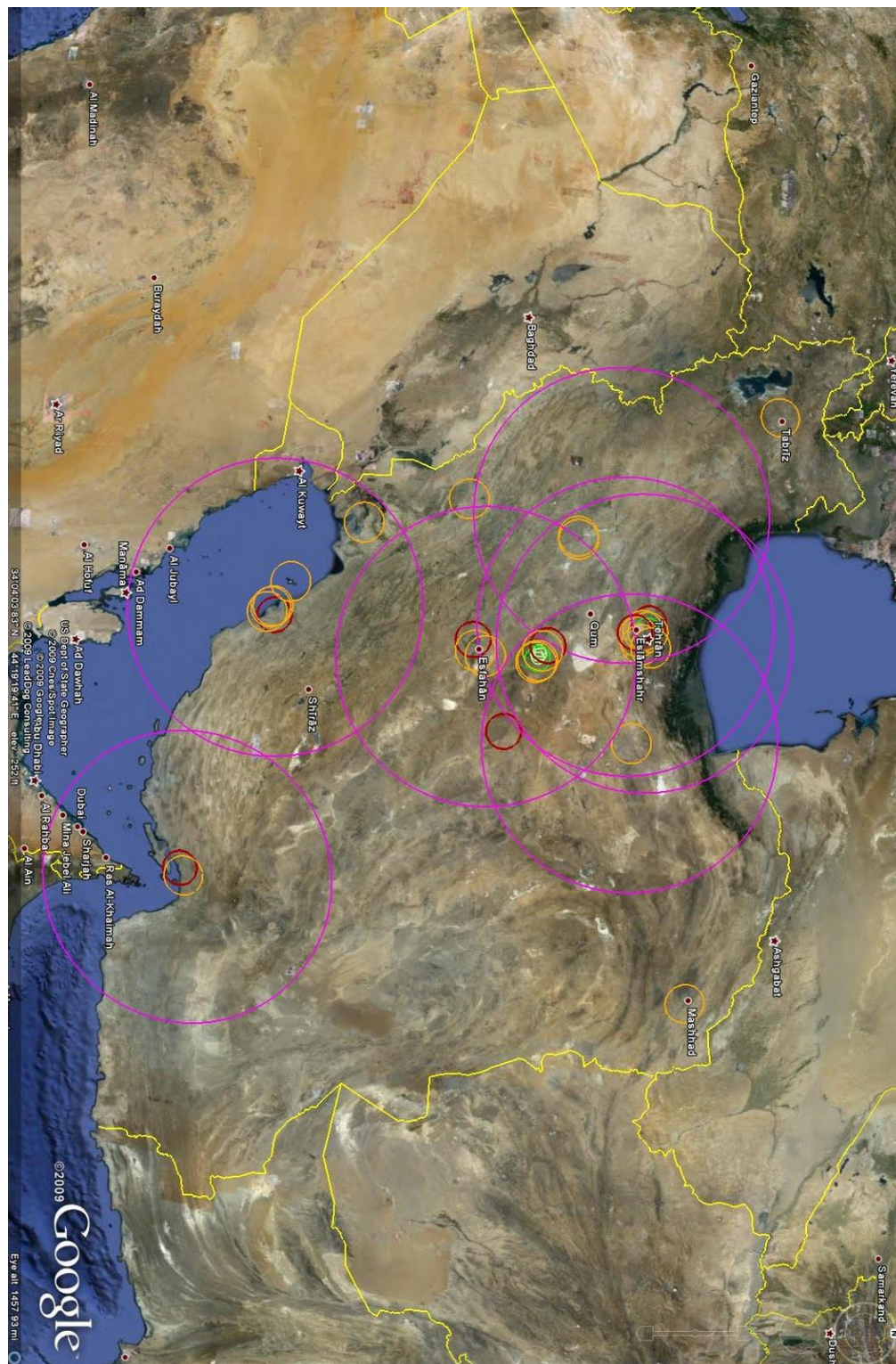




Figure 4.69: Potential range of S-300PMU1/HQ-9/SA-20 or similar deployment in Iran (Source: <http://www.ausairpower.net/APA-Iran-SAM-Deployment.html>)

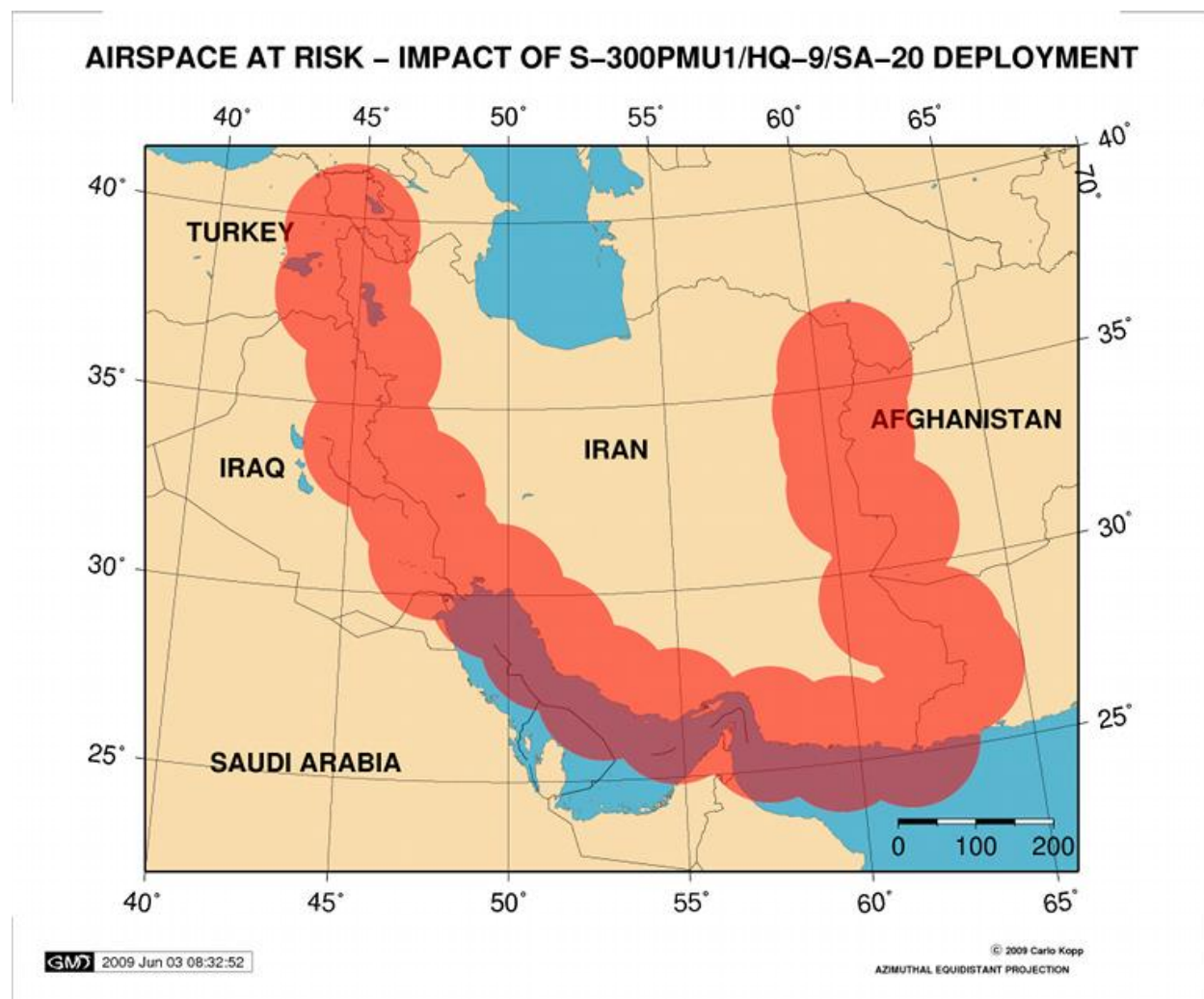


Figure 4.70: Potential range of S-400/SA-21 or similar deployment in Iran (Source: <http://www.ausairpower.net/APA-Iran-SAM-Deployment.html>)

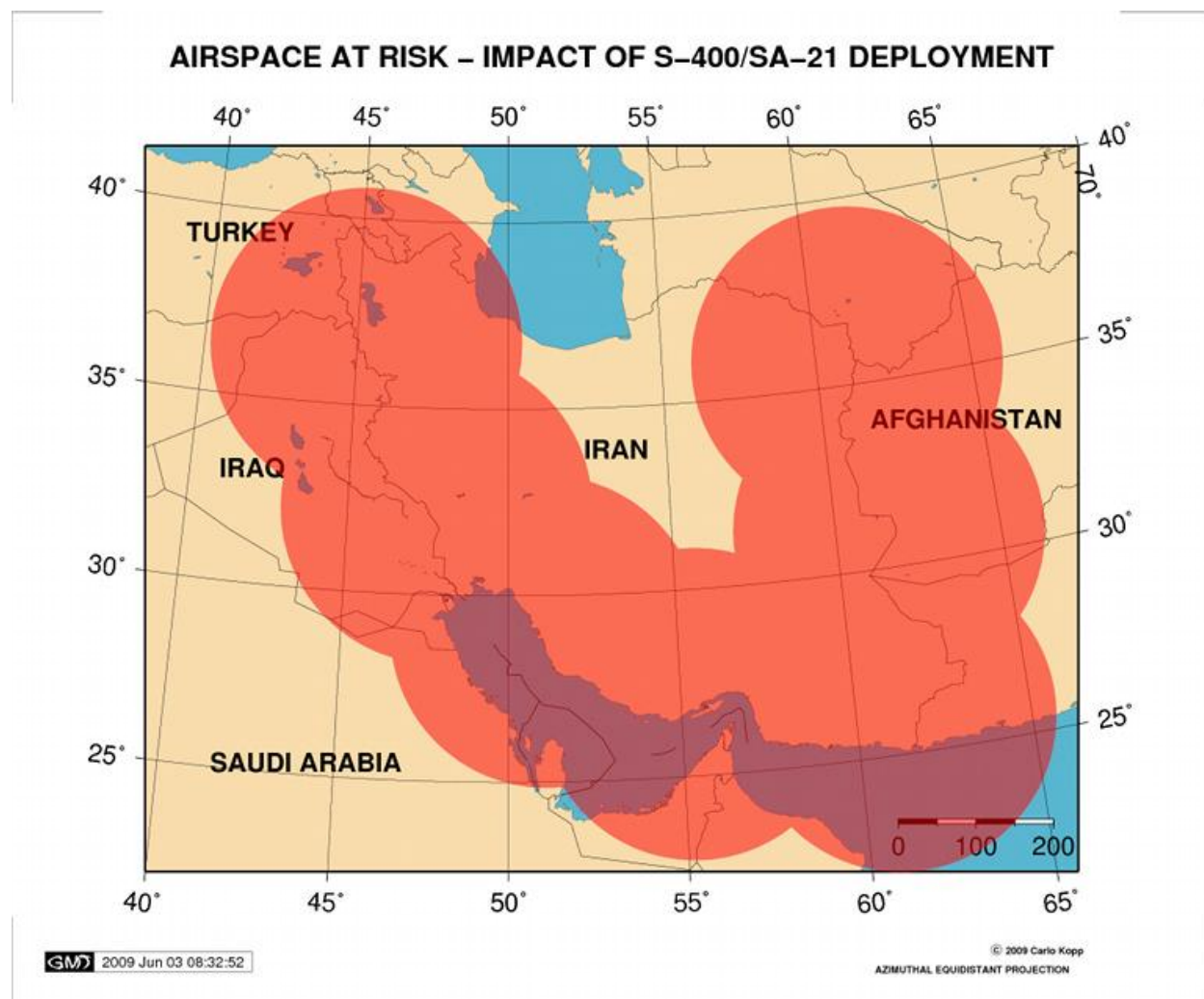


Figure 4.71: Satellite image of Al Watah missile complex in Saudi Arabia (Sources: DigitalGlobe and IHS Jane's Intelligence).

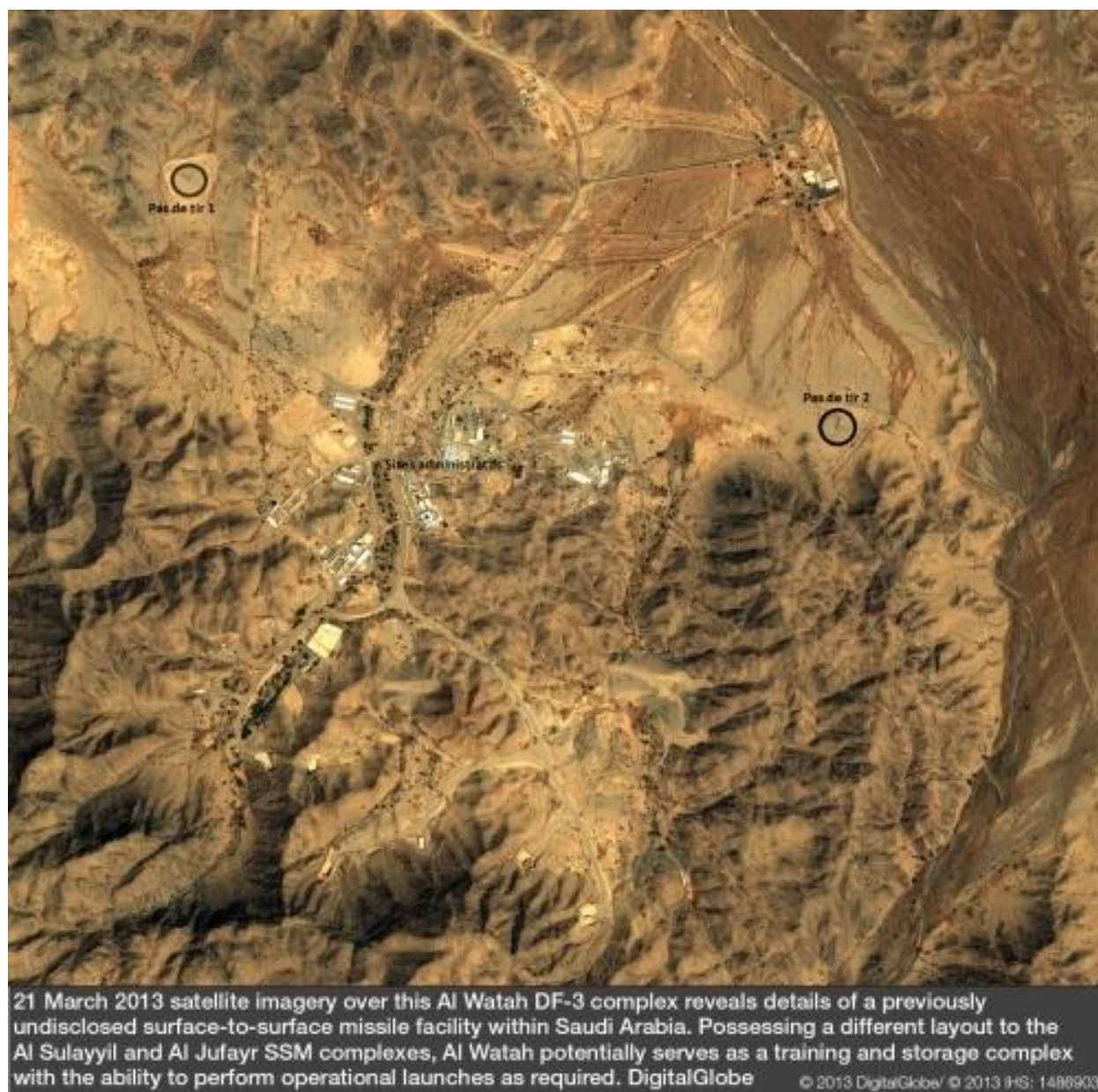




Figure 4.72: Missile sites in Saudi Arabia indicated by arrows, notably the complexes of Al Joffer, Al Sulayyil, and Rawdah (Sources: AND, DigitalGlobe, Europa Technologies, Google Earth, and TerraMetrics).

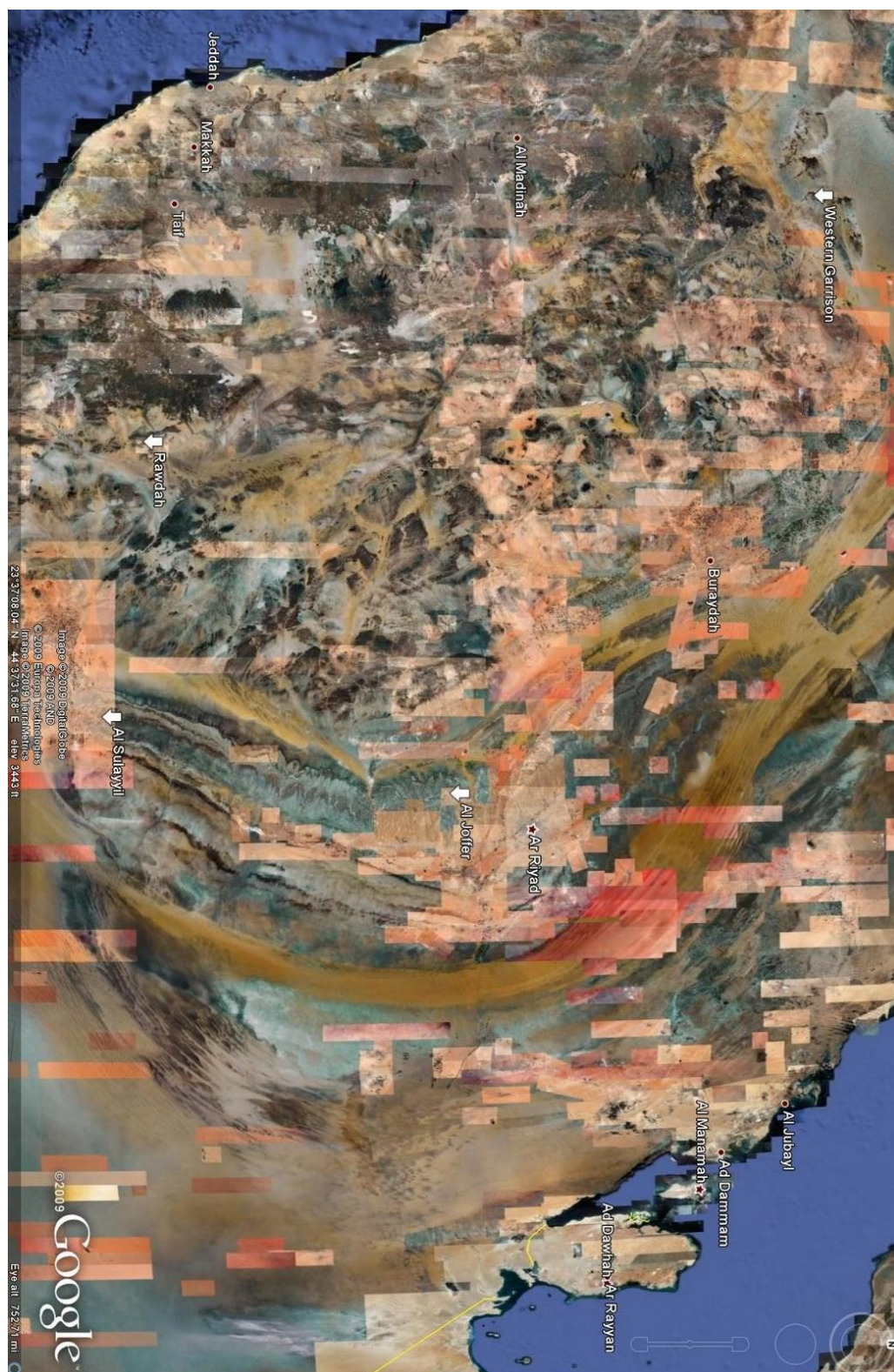




Figure 4.73: Full range of a DF-3A positioned in the stations of Al Joffer and Al Sulayyil (Sources: AND, Google Earth, Europa Technologies, and Tele Atlas).





Figure 4.74: Likely range of Saudi Arabian DF-3As positioned in Al Joffer and Al Sulayyil (Sources: AND, Google Earth, Europa Technologies, and Tele Atlas).





Figure 4.75: Satellite overview of the Al Sulayyil complex detailing the north garrison, south garrison, support facility, and launch control site (Sources: AND, DigitalGlobe, and Google Earth.)

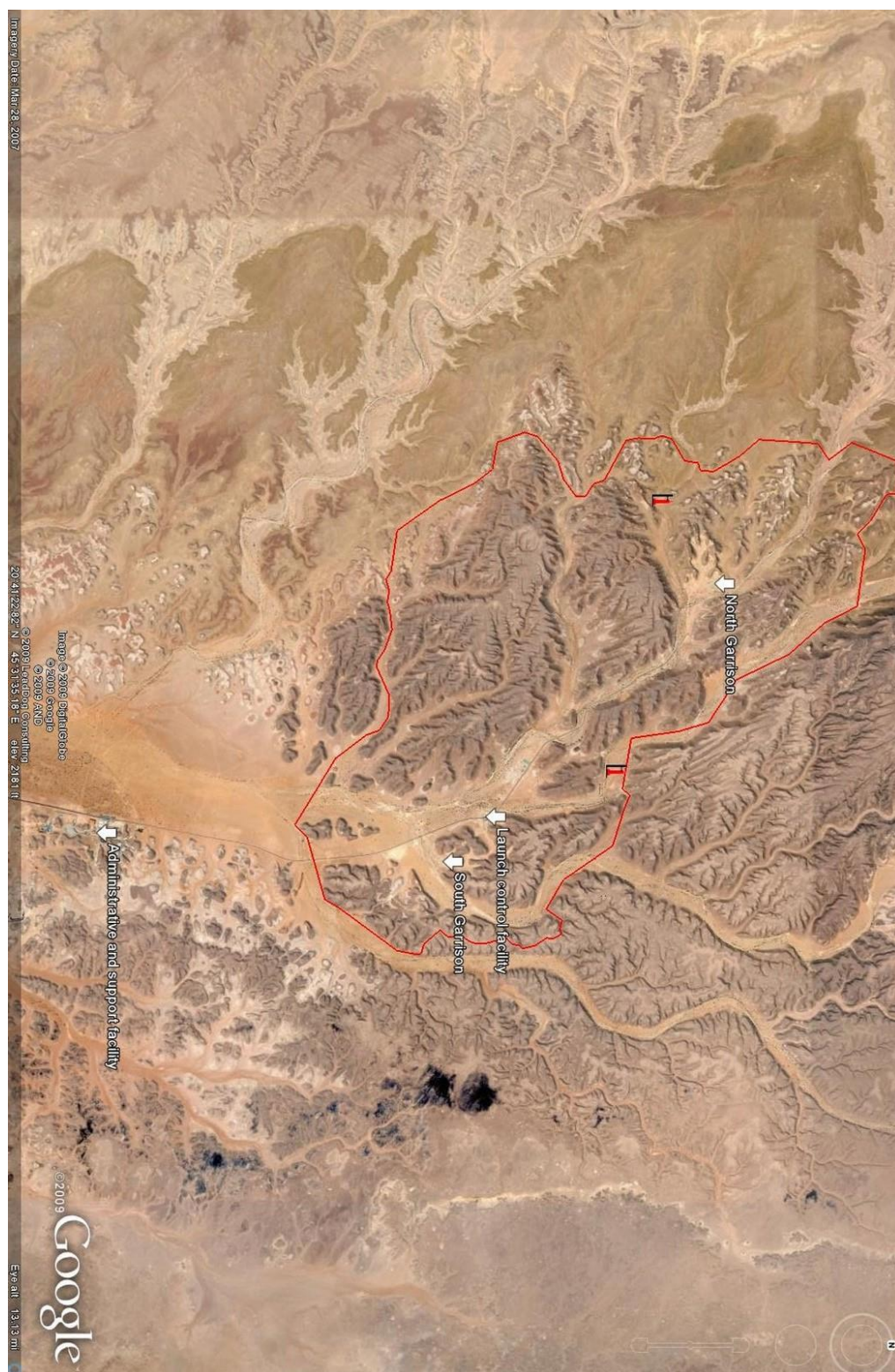


Figure 4.76: Satellite image of a DF-3A launchpad in the Al Sulayyil complex (Sources: DigitalGlobe and Google Earth).





Figure 4.77: Satellite image of the northern garrison of the Al Sulayyil complex detailing hardened bunkers, a handling facility, and launcher (Sources: AND, DigitalGlobe, Google Earth, and LeadDog Consulting).





Figure 4.78: Satellite image of the southern garrison at the Al Sulayyil complex detailing numerous hardened bunkers entry point, handling facility, support facility, and entry point (Sources: AND, DigitalGlobe, Google Earth, and LeadDog Consulting).





Figure 4.79: Satellite image of the northern and southern garrisons at the Al Sulayyil complex (Sources: AND, DigitalGlobe, Google Earth, and LeadDog Consulting).



Figure 4.80: Satellite images of the Al Sulayyil complex between 2003 (top) and 2009 (bottom) that demonstrate a lack of site development, which signifies the completion or abandonment of a site. In this case, it is certainly an operational and therefore completed complex. (Sources: AND, DigitalGlobe, Google Earth, and LeadDog Consulting).





Figure 4.81: Satellite image of the Al Joffer complex detailing a launch control facility, north garrison, south garrison, and support facility (Sources: DigitalGlobe, Google Earth, LeadDog Consulting, and TerraMetrics).

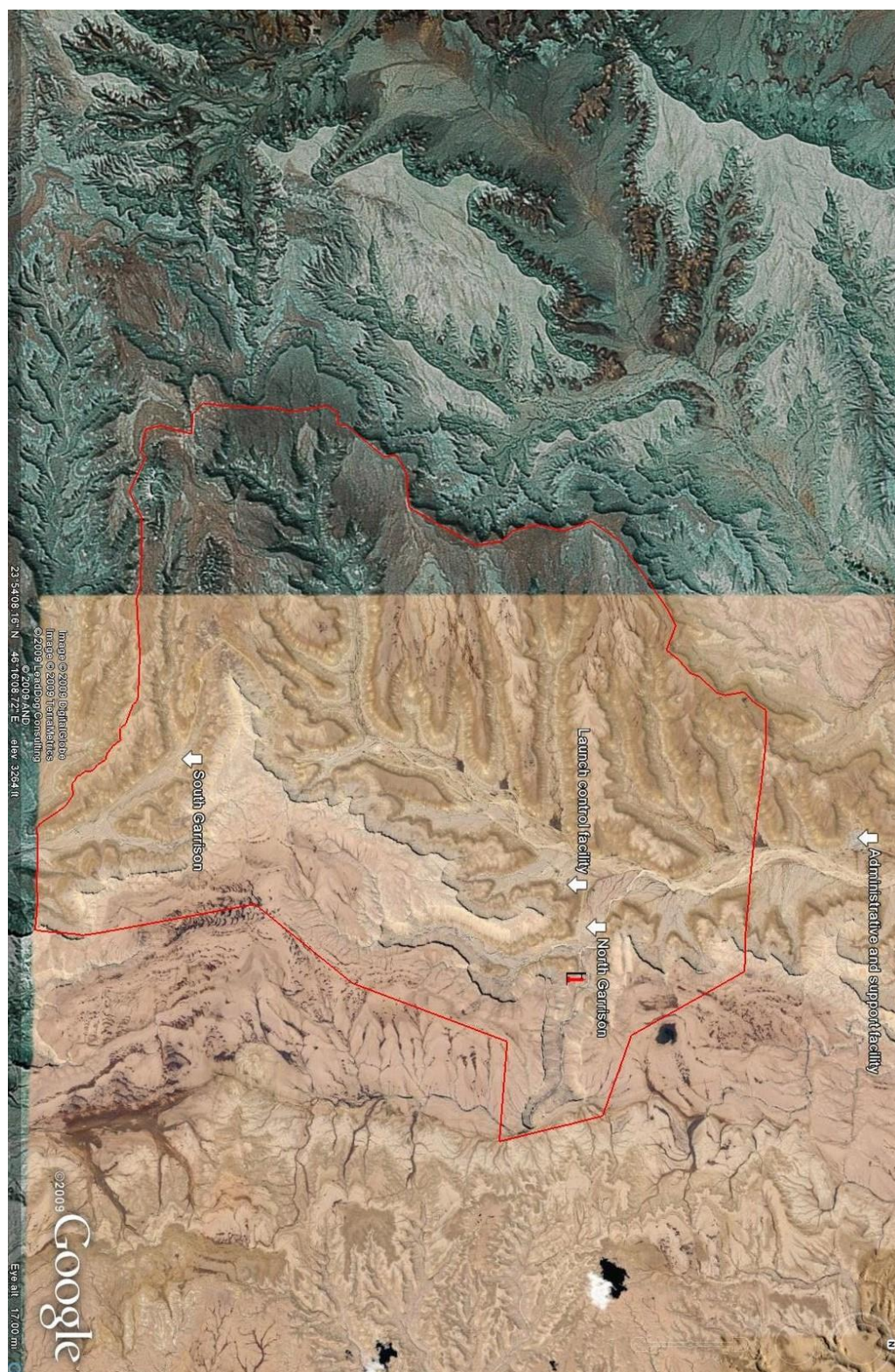




Figure 4.82: Satellite image overviewing the Rawdah underground complex and support site (Sources: AND, DigitalGlobe, Google Earth, and LeadDog Consulting).





Figure 4.83: Satellite image of the Rawdah support area detailing underground entrances, administrative and support facilities, as well as possible launch pads that are consistent with preexistent DF-3As already in place in Al Sulayyil (Sources: AND, DigitalGlobe, Google Earth, and LeadDog Consulting).

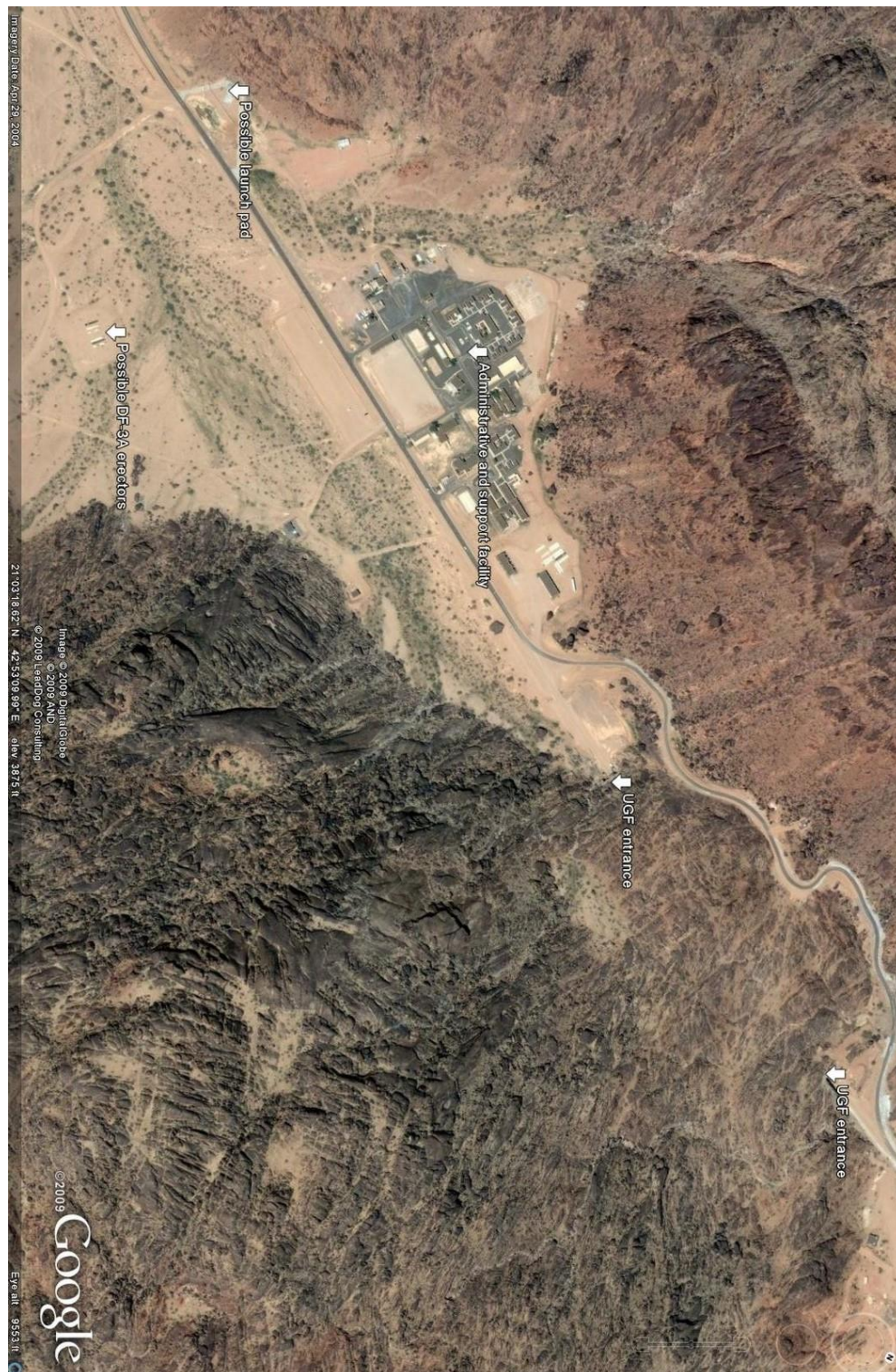




Figure 4.84: Satellite image of the Rawdah storage site underground entrances, bunkers, and possible launch pads (Sources: AND, DigitalGlobe, Google Earth, and LeadDog Consulting).





Figure 4.85: R2 800-man desert military complex in Abu Dhabi, UAE (Source: [www.publicintelligence.net](http://www.publicintelligence.net)).



Figure 4.86: Sweihan Air Base expansion in Abu Dhabi, UAE near Reflex Responses and Zayed Military City (Source: [www.osimint.com](http://www.osimint.com)).

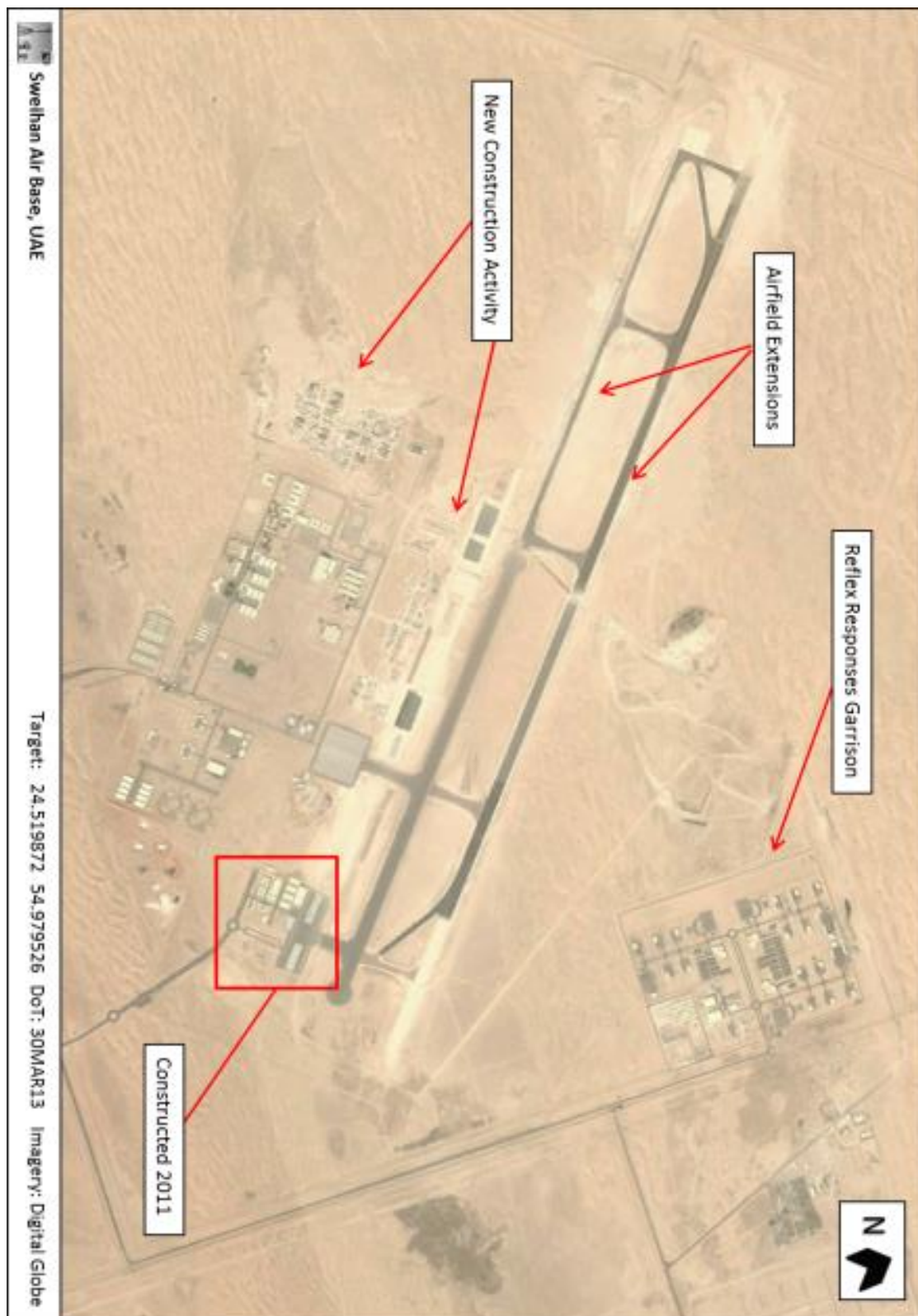




Figure 4.87: Minhad Air Base, Abu Dhabi, UAE (Source: [www.osimint.com](http://www.osimint.com)).

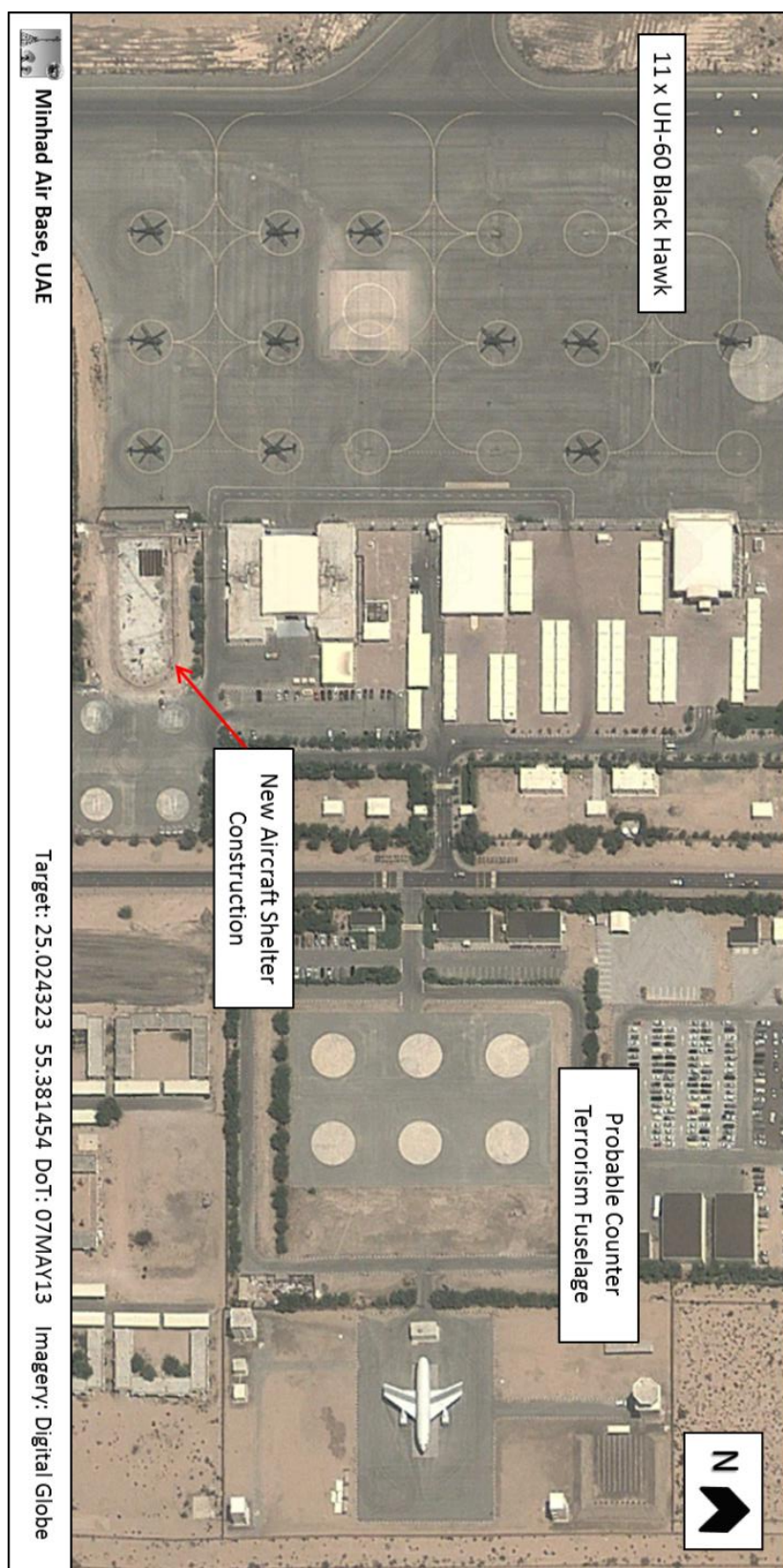




Figure 5.2: Resource Nationalism Index 2012 (Source:

[http://maplecroft.com/about/news/resource\\_nationalism\\_index\\_2012.html](http://maplecroft.com/about/news/resource_nationalism_index_2012.html))

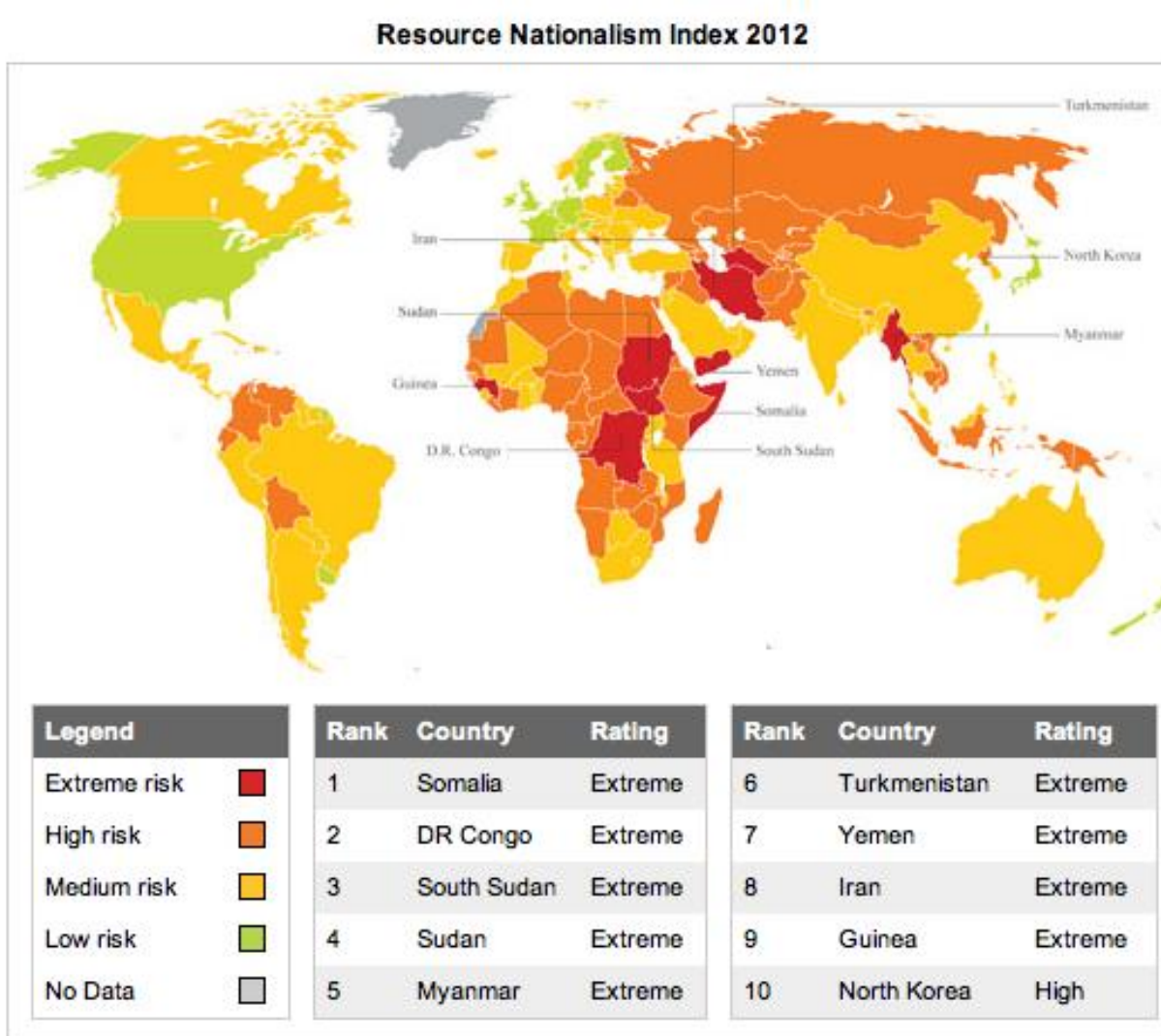


Figure 5.3: Resource Nationalism Index 2014 (Source: <http://www.telegraph.co.uk/finance/commodities/10569653/Resource-nationalism-alive-and-well-as-Indonesia-bans-key-metal-exports.html>)

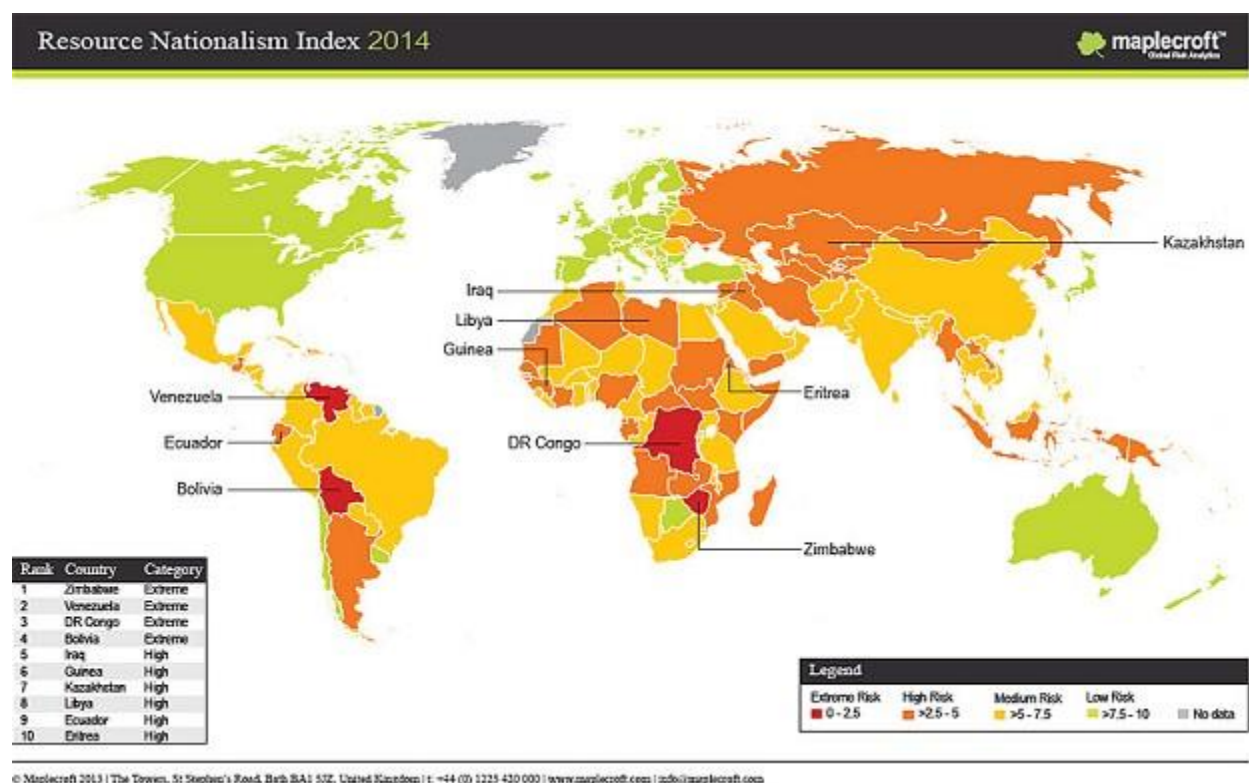




Figure 5.4: Major resources mined in Africa (Sources: The Economist and the US Geological Survey).

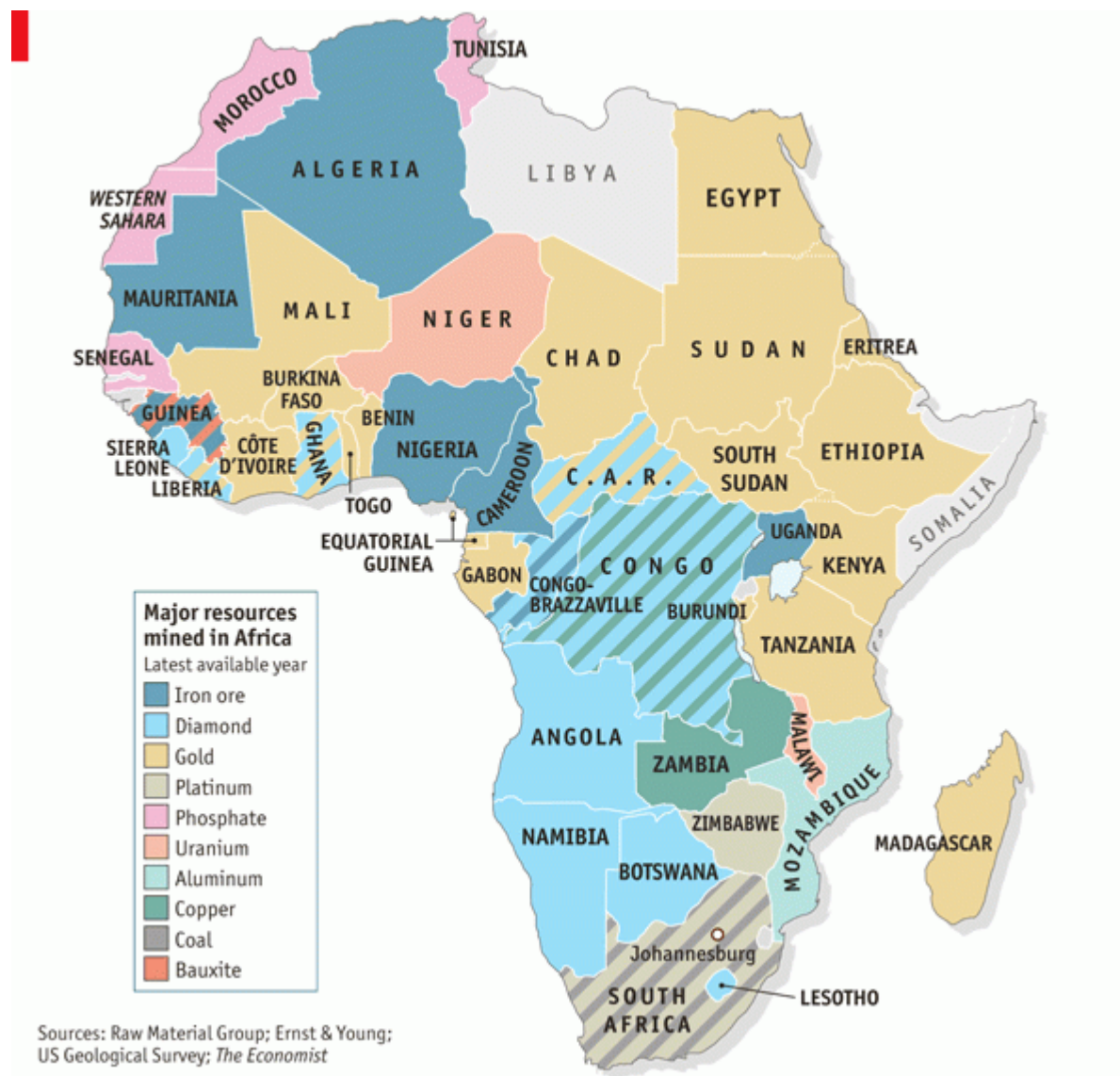
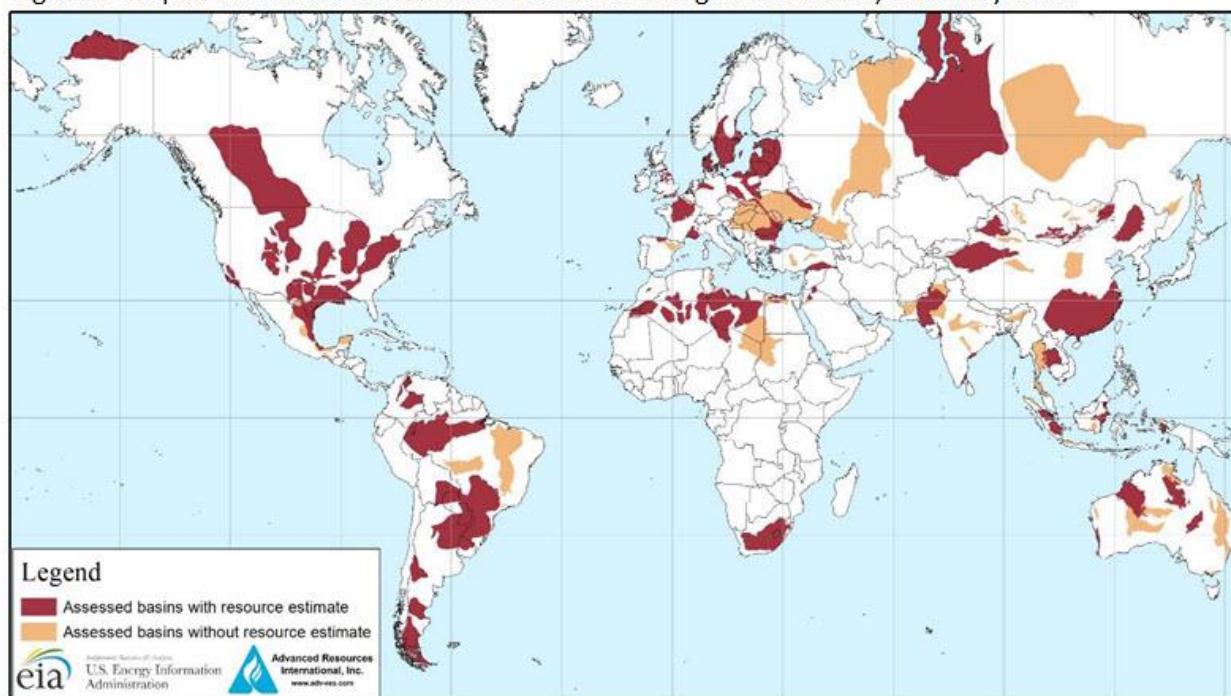


Figure 5.5: Global map detailing assessed basins of shale oil and gas formations (Source: Advanced Resources International, EIA, and the US Geological Survey).

Figure 1. Map of basins with assessed shale oil and shale gas formations, as of May 2013



Source: United States basins from U.S. Energy Information Administration and United States Geological Survey; other basins from ARI based on data from various published studies.

Figure 5.6: Shale oil and gas in mainland USA (Source: EIA).

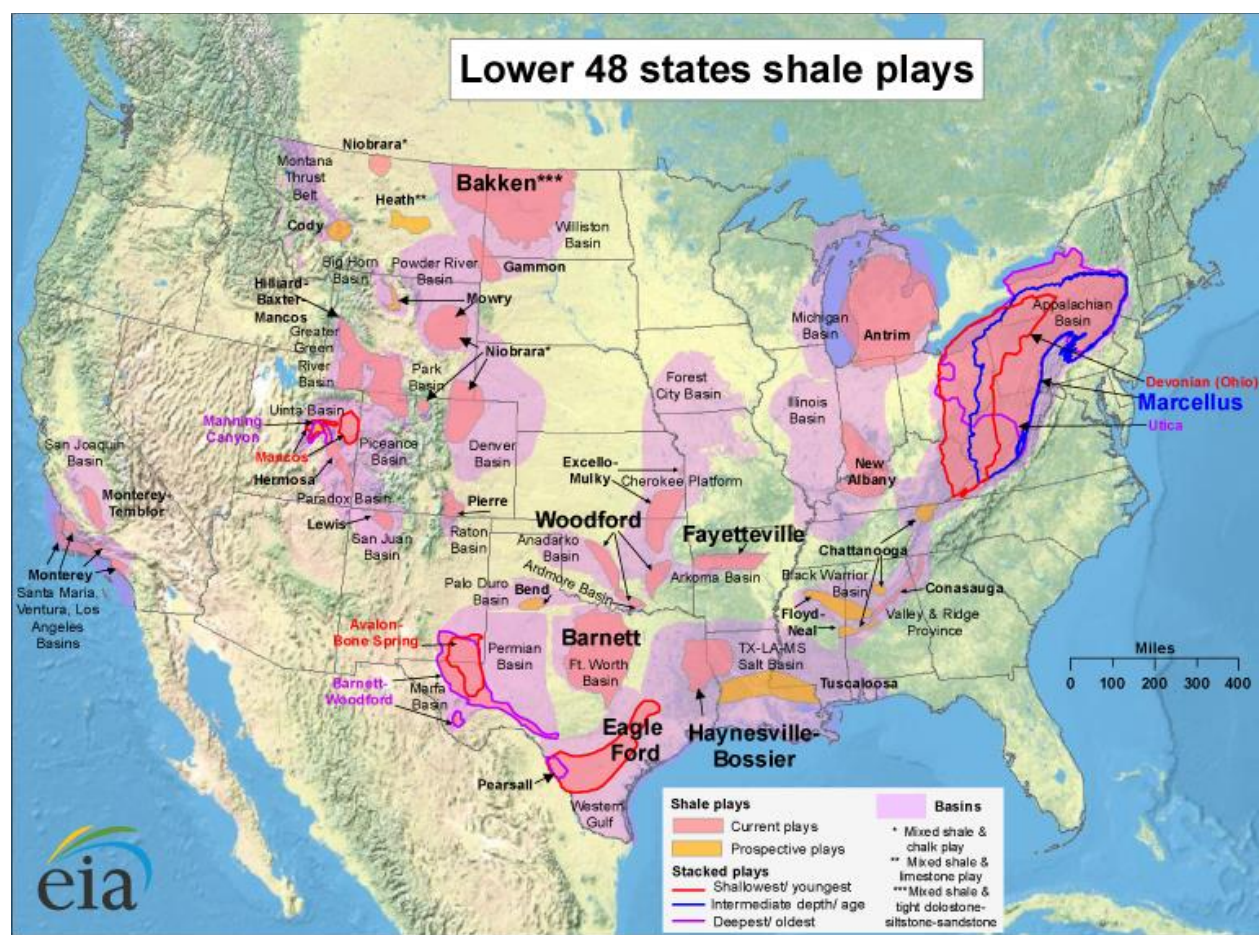
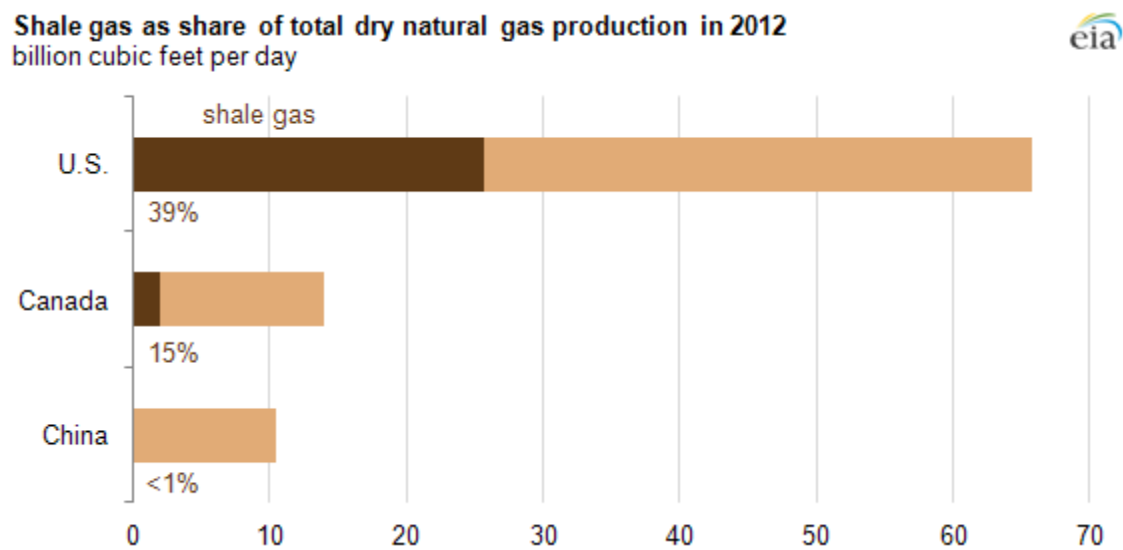


Figure 5.7: Shale gas potential between Canada, China, and the USA (Source EIA).





## Appendix A:

### *Constitution of the Islamic Republic of Iran (English Translation from Persian)*

Source: <http://www.iranchamber.com/government/laws/constitution.php> (Last Retrieved: April 12, 2014)

#### **Constitution of Islamic Republic of Iran**

In the name of God, the compassionate, the merciful.

We have sent Our apostles with veritable signs and brought down with them scriptures and the scales of justice, so that men might conduct themselves with fairness".

[Quotations from the Quran; English translation by N.J. Dawood]

#### **PREAMBLE**

The Constitution of the Islamic Republic of Iran sets forth the cultural, social, political and economic institutions of the people of Iran, based on Islamic principles and rules, and reflecting the fundamental desires of the Islamic people. The essence of the great Islamic Revolution of Iran, and the course of the struggle of the Muslim people from its beginning to its victory, as manifested by the categorical and striking slogans used by all classes of the people, get their special character from this fundamental desire. Now our nation, with the whole of its being is in the vanguard of this great victory, and strives for the attainment of that desire.

The unique characteristic of this Revolution, as compared with other Iranian movements of the last century, is that it is religious and Islamic. The Muslim people of Iran, after living through an anti-despotic movement for constitutional government, and anti-colonialist movement for the nationalization of petroleum, gained precious experience in that they realized that the basic and specific reason for the failure of those movements was that they were not religious ones. Although in those movements Islamic thinking and the guidance of a militant clergy played a basic and prominent part, yet they swiftly trailed off into stagnation, because the struggle deviated from the true Islam. But now the nation's conscience has awakened to the leadership of an exalted Authority, His Eminence Ayatollah Imam Khomeini, and has grasped the necessity of following the line of the true religious and Islamic movement. This time the country's militant clergy, which has always been in the front lines of the people's movement, together with writers and committed intellectuals, has gained new strength (lit: impetus) under his leadership (The most recent movement of the Iranian nation began in the HEGIRA lunar year 1382, equivalent to the HEGIRA solar year 1341) - (Translator's note: the solar year 1341 equals 1963 A.D.)

#### **THE VANGUARD OF THE MOVEMENT**

Imam Khomeini's crushing protest against that American plot, The White Revolution, which was a step taken with a view to strengthening the foundations of the despotic regime and consolidating Iran's political, cultural and economic links with World Imperialism, was the motive force behind the united uprising of the nation. There followed the great and bloody

revolution of the Islamic people in the month of KHORDAD 1342 (Translator's note: equivalent to June 1963) -This was indeed the starting-point of the flowering of that magnificent and widespread revolt which consolidated and confirmed the Imam's central position as the Islamic leader. Despite his banishment from Iran following on his protest against the shameful Law of Capitulation (immunity for American advisers), the firm bond (of the people) with the Imam was strengthened. The Muslim nation, in particular committed intellectuals and the militant clergy, continued along its path, amid banishment and imprisonment, torture and execution.

Meanwhile the informed and responsible section of the community was busy with clarification of the issues, within the strongholds of mosques, places of learning, and universities. Inspired by the revolutionary religious feeling and the rich fruitfulness of Islam, they began a persistent and rewarding struggle to raise the level of awareness and vigilance as regards the fight, and its religious nature, among the Muslim nation. The despotic regime began the suppression of the Islamic movement with a malignant attack on the FEIZIYE (Translator's note: meaning uncertain) and the University and all the clamorous (protesting) Clubs (that were part) of the Revolution. It took bloodthirsty but futile steps to quell the revolutionary fury of the people. While this was going on firing squads, medieval torture, and long imprisonment were the price our Muslim nation paid to demonstrate its firm resolve to continue the struggle. The blood of hundreds of young men and women flowed for the Faith in the shooting yards at dawn as they raised the cry of "God is Great" (ALLAHU AKBAR). Or they were the target for hostile bullets in lanes and bazaars in forwarding the Islamic revolution of Iran, distributing the ever-continuing proclamations and messages of the Imam on a variety of occasions, and (asserting) the awareness and determination of the Islamic nation ever more widely and deeply.

### **ISLAMIC GOVERNMENT**

Islamic Government is designed on a basis of "religious guardianship" (VELAYAT FAQIYE) as put forward by Imam Khomeini at the height of the intense emotion and strangulation (felt) under the despotic regime. This created a specific motivation and new field of advance for the Muslim people; and opened up the true path for the religious fight of Islam, pressing forward the struggle of the committed Muslim combatants, inside and outside the country.

The movement continued along this basic line until eventually the dissatisfaction and fury of the people, arising out of the daily increasing pressure and strangulation inside the country, and the extension and repetition of the struggle by the clergy, and by militant students at world level, severely shook the rule of the regime. The regime and its masters were forced to reduce its pressure and strangulation, and - so to speak - to open up the political arena of the country which it thought would be the safety valve to secure it against its certain collapse. But the nation was aroused, aware (of the situation) , and firmly devoted to the decisive and unshakable leadership of the Imam. It began its victorious and united uprising in ever more wide-spread and comprehensive fashion.

### **THE PEOPLES' ANGER**

The publication by the regime on the 17th of the month of DEY, 1356 (equals 7 January 1978) (Translator's note: not 1977 as in original translation) of the letter which insulted the sacred order of the clergy, and in particular the Imam Khomeini, hastened this movement. It caused the people's anger to explode all over the country. In an effort to control this volcano of popular



anger, the regime tried to suppress the protest uprising by bloodshed. This very fact set more blood pulsing through the veins of the Revolution. Continuing revolutionary passion at the time of the seven-day and forty-day commemoration of the martyrs of the Revolution, added on an ever-increasing scale to the vitality and ardour and fervent unity of the movement throughout the country. It continued and extended the people's upheaval in all the country's organisations by a general strike and joining in street demonstrations while actively seeking the downfall of the despotic regime. Widespread co-operation of men and women of all classes, and of religious and political groups, in this struggle, took place in decisive and dramatic fashion. In particular women joined openly on all the scenes of this great Holy War, ever more actively and extensively. Such a scene would be a mother with a child in her bosom hastening to the battlefield and facing machine gun fire. This large section of society took a main and decisive part in the struggle.

### **THE PRICE THE NATION PAID**

After a little over a year the budding Revolution and its continuing struggle settled to its result. Its cost (lit: fruit) was the blood of more than 60,000 martyrs, 100,000 wounded and with damaged health, and millions of toman of financial loss; all amid cries of "Independence", "Freedom", and "Islamic Rule". This mighty movement with its reliance upon faith, unity, and decisiveness in leadership, came to a victorious conclusion in an atmosphere of emotion and tension and of the nation's devotion. It was successful in crushing all the calculations and manoeuvrings of Imperialism. A new chapter opened up in its own way for popular revolutions in the world.

The 21st and 22nd of the month of BAHMAN 1357 (Translator's note: equivalent to 10th and 11th February 1979) were the days on which the Shah's establishment collapsed. Domestic despotism and the foreign domination which depended on it were defeated. This great victory brought the glad tidings of final triumph and was the prelude to Islamic Government which was the long-felt desire of the Muslim people.

Unanimously, the nation of Iran, in partnership with the religious authorities, and the ULEMA of Islam, and the repository of Leadership, in a referendum concerning the Islamic Republic, took a final and categorical decision to set up an exalted new republican and Islamic order, and affirmed the Islamic Republic by a majority vote of 98.2%.

Now the Constitution of the Islamic Republic, as the announcement of the structure and political, social, cultural and economic relationships within society, must guide the way towards the consolidation of the foundations of Islamic Government, and produce the design for a new order of Government in substitution for the old idolatrous order.

### **STRUCTURE OF GOVERNMENT IN ISLAM**

From the viewpoint of Islam, government does not spring from the sphere of classes or domination by individuals or groups. It crystallizes the political aspirations of a nation united in faith and thinking which provides itself with an organisation so that in the process of transformation of ideas and beliefs, its way may be opened towards the ultimate goal (moving towards God). In the course of its revolutionary development our nation was cleansed from the dust and rust of idolatry, and from foreign ideological influence. It returned to true Islamic intellectual attitudes and views of the world. Now it is planning to build its new model society on

such a basis, with Islamic standards. The Mission of the Constitution is to identify itself with the basic beliefs of the movement and to bring about the conditions under which the lofty and worldwide values' of Islam will flourish.

The Constitution, having regard to the Islamic contents of the Iranian Revolution, which was a movement for the victory of all the oppressed over the arrogant, provides a basis for the continuation of that revolution both inside and outside the country. It particularly tries to do this in developing international relations with other Islamic movements and peoples, so as to prepare the way towards a united single world community ("Your community is one community, and I am your Lord who you are to worship") Quotation from the Arabic and to the continuation of the progressive struggle for the rescue of deprived and oppressed nations throughout the world.

Having regard to the intrinsic nature of this great movement, the Constitution guarantees to oppose any kind of despotism, intellectual, social, and as regards monopoly economics, and to struggle for freedom from the despotic system, and to entrust men's destiny to their own hands. "He releases them from their heavy burdens and yokes which are on them".

*Quotation from the Arabic*

In creating the political structures and foundations for organizing society on the basis of acceptance of religion, devout men have the responsibility for government and administration of the country.

"The earth will be inherited by my pious followers".

*Quotation from the Arabic*

Legislation which is to set out the codes for the management of society will have as its central axis the Koran and tradition. Therefore there is great necessity for exact and serious supervision by just and virtuous and dedicated Islamic scholars (FEQHA-ye-ADEL = just men of religious law). Because the aim of government is to help mankind to develop towards the divine order and until the ground is cleared and the human talents have blossomed forth for the glorification of God's nature in all its dimensions, ("To emulate God's morality<sup>11</sup>) Quotation from the Arabic, there cannot, except by delegation, be active and extensive participation at all stages in the taking of political decisions and the determination of destiny for all persons in society, so that every individual has a hand in the task of human development and is responsible for growth and progress and guidance. This will be the assurance of government for the oppressed of the earth.

### **THE GUARDIANSHIP OF THE JUST MAN OF RELIGIOUS LAW (FAQIYEH-e-ADEL)**

On the basis of continuous Guardianship and Leadership (Imamate) the Constitution provides for leadership under all conditions, (by a person) recognized by the people as lender, so that there shall be security against deviation by various organisations ("The course of affairs is in the hands of those who know God and who are trustworthy in matters having to do with what he permits and forbids") - Quotation from the Arabic.

### **THE ECONOMY AS A MEANS NOT AN END**

In strengthening the foundations of the economy, the governing principle is the satisfaction of mankind's needs in the course of its growth and development. It is not (the pursuit) of other economic objectives (systems), such as centralization and the accumulation of wealth and the search for profit. In materialistic schools of thought, economic activity (the economy) is its own

end. This at (different) stages of growth, economic activity is a factor working for destruction and corruption and decay. But in Islam economic activity is a means. As an ultimate (lit: waiting) means there can be no more effective (instrument) on the path towards the goal.

From this point of view, the Islamic program of economic activity to provide a suitable field for the emergence of human creative power in various forms, and in this way provide equal and well-balanced opportunities, and make work, for all people, and satisfy the essential requirements of the advance towards development is the responsibility of the Islamic Government.

### **WOMEN IN THE CONSTITUTION**

In the creation of Islamic foundations, all the human forces which had been in the service of general foreign exploitation will recover their true identity and human rights. In doing so, women who have endured more tyranny up till now under the idolatrous order, will naturally vindicate their rights further.

The family unit is the basis of society, and the true focus for the growth and elevation of mankind. Harmony of beliefs and aspirations in setting up the family is the true foundation of the movement towards the development and growth of mankind. This has been a fundamental principle. Providing the opportunities for these objectives to be reached is one of the duties of the Islamic Government.

Women were drawn away from the family unit and (put into) the condition of "being a mere thing", or "being a mere tool for work" in the service of consumerism and exploitation. Re-assumption of the task of bringing up religiously-minded men and women, ready to work and fight together in life's fields of activity, is a serious and precious duty of motherhood. And so acceptance of this responsibility as more serious and - from the Islamic point of view - a loftier ground for appreciation (lit: value) status (lit: greatness) will be forthcoming.

### **THE RELIGIOUS ARMY**

In the organisation and equipping of the countries defence forces, there must be regard for faith and religion as their basis and rules. And so the Islamic Republic's army, and the corps of Revolutionary Guards must be organized in accordance with this aim. They have responsibility not only for the safeguarding of the frontiers, but also for a religious mission, which is Holy War (JIHAD) along the way of God, and the struggle to extend the supremacy of God's Law in the world.

"Against them make ready your strength to the utmost of your power, including steeds of war, to strike terror into the hearts of the enemies of God and your enemies, and others beside".

*Quotation from the Arabic*

### **THE JUDICIARY OF THE CONSTITUTION**

The question of the judiciary in relation to the safeguarding of the people's rights along the line (adopted by) the Islamic movement with the object of preventing localized deviation within the Islamic community, is a vital one. Thus provision must be made for the establishment of a judicial system on the basis of Islamic justice, manned by just judges, well acquainted with the exact rules of the Islamic code. Such a pattern of organisation is necessary because of the

delicate and subtle structure of Religion, which must be kept free from any kind of unhealthy relationship.

"And when you judge between man and man, judge with justice".

*Quotation from the Arabic*

### **THE EXECUTIVE POWER**

The executive power must open up the path towards the creation of an Islamic society. This is because of its special importance as regards the putting into effect of Islamic ordinances and regulations, so that just relationships can be attained in the governing of society; and also because of the essential character of this vital question in laying the foundations for the ultimate goal of life. Thus (the executive power) is to be hedged about by every kind of intricate disciplinary arrangement which may further the attainment of this goal, or negate any source of anxiety from the Islamic viewpoint. The bureaucracy which was the offspring of idolatrous rule is to be eliminated with severity, so that an executive system of greater efficiency and increasing speed (of action) can come into existence to deal with administrative undertakings.

### **THE PUBLIC MEDIA**

The public media (radio-television) must take their place in the process of development of the Islamic revolution, and must serve in the propagation of Islamic culture. In this sphere they must look for opportunities for a healthy exchange of differing ideas, and must rigorously refrain from the propagation and encouragement of destructive and anti-Islamic qualities (ideas).

In pursuance of the principles of this law which recognize freedom and human dignity as the central point (lit: frontispiece) of their objectives, and opens up the path of development and perfection of man as the responsibility of all, the Islamic community must elect sagacious and devout representatives, and exercise active supervision over their work, to participate in the building up of the Islamic society. This in the hope that in building the exemplary Islamic society they will succeed in setting a pattern of self-sacrifice to all the people of the world.

"Thus we appointed you a central nation that you might be witnesses to the people".

*Quotation from the Arabic*

### **REPRESENTATIVES**

The Council of Experts (MAJLIS-e-KHEBREGAN), composed of representatives of the people, drew up the Constitution on the basis of scrutiny of the draft proposed by the Government, and of the proposals put forward by various groups. It contains 12 chapters and 175 articles. It was completed on the eve of the 15th century since the HEGIRA of the great Prophet (God bless and preserve him) and the establishment of the redeeming faith of Islam with the aims and motives described above, and in the hope that this century will be the century of the rule of the world by the oppressed, and the complete overthrow of the arrogant ones. - See more at:

<http://www.iranchamber.com/government/laws/constitution.php#sthash.xvnAsAK8.dpuf>

## **Chapter I** General Principles

### **Article 1**

The form of government of Iran is that of an Islamic Republic, endorsed by the people of Iran on the basis of their long-standing belief in the sovereignty of truth and Qur'anic justice, in the

referendum of Farwardin 9 and 10 in the year 1358 of the solar Islamic calendar, corresponding to Jamadi al-'Awwal 1 and 2 in the year 1399 of the lunar Islamic calendar (March 29 and 30, 1979], through the affirmative vote of a majority of 98.2% of eligible voters, held after the victorious Islamic Revolution led by the eminent marji' al-taqlid, Ayatullah al-Uzma Imam Khomeini.

## **Article 2**

The Islamic Republic is a system based on belief in:

1. The One God (as stated in the phrase "There is no god except Allah"), His exclusive sovereignty and the right to legislate, and the necessity of submission to His commands;
2. Divine revelation and its fundamental role in setting forth the laws;
3. The return to God in the Hereafter, and the constructive role of this belief in the course of man's ascent towards God;
4. The justice of God in creation and legislation;
5. Continuous leadership (imamah) and perpetual guidance, and its fundamental role in ensuring the uninterrupted process of the revolution of Islam;
6. The exalted dignity and value of man, and his freedom coupled with responsibility before God; in which equity, justice, political, economic, social, and cultural independence, and national solidarity are secured by recourse to:
  - a. continuous ijtiḥād of the fuqahā' possessing necessary qualifications, exercised on the basis off the Qur'an and the Sunnah of the Ma'sumun, upon all of whom be peace;
  - b. sciences and arts and the most advanced results of human experience, together with the effort to advance them further;
  - c. negation of all forms of oppression, both the infliction of and the submission to it, and of dominance, both its imposition and its acceptance.

## **Article 3**

In order to attain the objectives specified in Article 2, the government of the Islamic Republic of Iran has the duty of directing all its resources to the following goals:

1. the creation of a favourable environment for the growth of moral virtues based on faith and piety and the struggle against all forms of vice and corruption;
2. raising the level of public awareness in all areas, through the proper use of the press, mass media, and other means;
3. free education and physical training for everyone at all levels, and the facilitation and expansion of higher education;
4. strengthening the spirit of inquiry, investigation, and innovation in all areas of science, technology, and culture, as well as Islamic studies, by establishing research centres and encouraging researchers;
5. the complete elimination of imperialism and the prevention of foreign influence;
6. the elimination of all forms of despotism and autocracy and all attempts to monopolize power;
7. ensuring political and social freedoms within the framework of the law;

8. the participation of the entire people in determining their political, economic, social, and cultural destiny;
9. the abolition of all forms of undesirable discrimination and the provision of equitable opportunities for all, in both the material and intellectual spheres;
10. the creation of a correct administrative system and elimination of superfluous government organisations;
11. all round strengthening of the foundations of national defence to the utmost degree by means of universal military training for the sake of safeguarding the independence, territorial integrity, and the Islamic order of the country;
12. the planning of a correct and just economic system, in accordance with Islamic criteria in order to create welfare, eliminate poverty, and abolish all forms of deprivation with respect to food, housing, work, health care, and the provision of social insurance for all;
13. the attainment of self-sufficiency in scientific, technological, industrial, agricultural, and military domains, and other similar spheres;
14. securing the multifarious rights of all citizens, both women and men, and providing legal protection for all, as well as the equality of-all before the law;
15. the expansion and strengthening of Islamic brotherhood and public cooperation among all the people;
16. framing the foreign policy of the country on the basis of Islamic criteria, fraternal commitment to all Muslims, and unsparing support to the mustad'afiin of the world.

#### **Article 4**

All civil, penal financial, economic, administrative, cultural, military, political, and other laws and regulations must be based on Islamic criteria. This principle applies absolutely and generally to all articles of the Constitution as well as to all other laws and regulations, and the fuqaha' of the Guardian Council are judges in this matter.

#### **Article 5**

During the Occultation of the Wali al-Asr (may God hasten his reappearance), the wilayah and leadership of the Ummah devolve upon the just ('adil] and pious [muttaqi] faqih, who is fully aware of the circumstances of his age; courageous, resourceful, and possessed of administrative ability, will assume the responsibilities of this office in accordance with Article 107.

#### **Article 6**

In the Islamic Republic of Iran, the affairs of the country must be administered on the basis of public opinion expressed by the means of elections, including the election of the President, the representatives of the Islamic Consultative Assembly, and the members of councils, or by means of referenda in matters specified in other articles of this Constitution.

#### **Article 7**

In accordance with the command of the Qur'an contained in the verse ("Their affairs are by consultations among them" [42:38]) and ("Consult them in affairs" [3:159]), consultative bodies - such as the Islamic Consultative Assembly, the Provincial Councils, and the City, Region, District, and Village Councils and the likes of them - are the decision-making and administrative organs of the country. The nature of each of these councils, together with the manner of their formation, their jurisdiction, and scope of their duties and functions, is determined by the



Constitution and laws derived from it.

### **Article 8**

In the Islamic Republic of Iran, al-'amr bilma'ruf wa al-nahy 'an al-munkar is a universal and reciprocal duty that must be fulfilled by the people with respect to one another, by the government with respect to the people, and by the people with respect to the government. The conditions, limits, and nature of this duty will be specified by law. (This is in accordance with the Qur'anic verse; "The believers, men and women, are guardians of one another; they enjoin the good and forbid the evil" [9:71]).

### **Article 9**

In the Islamic Republic of Iran, the freedom, independence, unity, and territorial integrity of the country are inseparable from one another, and their preservation is the duty of the government and all individual citizens. No individual, group, or authority, has the right to infringe in the slightest way upon the political, cultural, economic, and military independence or the territorial integrity of Iran under the pretext of exercising freedom. Similarly, no authority has the right to abrogate legitimate freedoms, not even by enacting laws and regulations for that purpose, under the pretext of preserving the independence and territorial integrity of the country.

### **Article 10**

Since the family is the fundamental unit of Islamic society, all laws, regulations, and pertinent programs must tend to facilitate the formation of a family, and to safeguard its sanctity and the stability of family relations on the basis of the law and the ethics of Islam.

### **Article 11**

In accordance with the sacred verse of the Qur'an ("This your community is a single community, and I am your Lord, so worship Me" [21:92]), all Muslims form a single nation, and the government of the Islamic Republic of Iran has the duty of formulating its general policies with a view to cultivating the friendship and unity of all Muslim peoples, and it must constantly strive to bring about the political, economic, and cultural unity of the Islamic world.

### **Article 12**

The official religion of Iran is Islam and the Twelver Ja'fari school [in usual al-Din and fiqh], and this principle will remain eternally immutable. Other Islamic schools, including the Hanafi, Shafi'i, Maliki, Hanbali, and Zaydi, are to be accorded full respect, and their followers are free to act in accordance with their own jurisprudence in performing their religious rites. These schools enjoy official status in matters pertaining to religious education, affairs of personal status (marriage, divorce, inheritance, and wills) and related litigation in courts of law. In regions of the country where Muslims following any one of these schools of fiqh constitute the majority, local regulations, within the bounds of the jurisdiction of local councils, are to be in accordance with the respective school of fiqh, without infringing upon the rights of the followers of other schools.

### **Article 13**

Zoroastrian, Jewish, and Christian Iranians are the only recognized religious minorities, who, within the limits of the law, are free to perform their religious rites and ceremonies, and to act according to their own canon in matters of personal affairs and religious education.

**Article 14**

In accordance with the sacred verse; ("God does not forbid you to deal kindly and justly with those who have not fought against you because of your religion and who have not expelled you from your homes" [60:8]), the government of the Islamic Republic of Iran and all Muslims are duty-bound to treat non-Muslims in conformity with ethical norms and the principles of Islamic justice and equity, and to respect their human rights. This principle applies to all who refrain from engaging in conspiracy or activity against Islam and the Islamic Republic of Iran. - See more at:

[http://www.iranchamber.com/government/laws/constitution\\_ch01.php#sthash.WWli9MAi.dpuf](http://www.iranchamber.com/government/laws/constitution_ch01.php#sthash.WWli9MAi.dpuf)

**Chapter II****The Official Language, Script, Calendar, and Flag of the Country****Article 15**

The official language and script of Iran, the lingua franca of its people, is Persian. Official documents, correspondence, and texts, as well as text-books, must be in this language and script. However, the use of regional and tribal languages in the press and mass media, as well as for teaching of their literature in schools, is allowed in addition to Persian.

**Article 16**

Since the language of the Qur'an and Islamic texts and teachings is Arabic, and since Persian literature is thoroughly permeated by this language, it must be taught after elementary level, in all classes of secondary school and in all areas of study.

**Article 17**

The official calendar of the country takes as its point of departure the migration of the Prophet of Islam - God's peace and blessings upon him and his Family. Both the solar and lunar Islamic calendars are recognized, but government offices will function according to the solar calendar. The official weekly holiday is Friday.

**Article 18**

The official flag of Iran is composed of green, white and red colours with the special emblem of the Islamic Republic, together with the motto [Allah-o Akbar]. - See more at:

[http://www.iranchamber.com/government/laws/constitution\\_ch02.php#sthash.tCQa7hXh.dpuf](http://www.iranchamber.com/government/laws/constitution_ch02.php#sthash.tCQa7hXh.dpuf)

**Chapter III****The Rights of the People****Article 19**

All people of Iran, whatever the ethnic group or tribe to which they belong, enjoy equal rights; and colour, race, language, and the like, do not bestow any privilege.

**Article 20**

All citizens of the country, both men and women, equally enjoy the protection of the law and enjoy all human, political, economic, social, and cultural rights, in conformity with Islamic

criteria.

### **Article 21**

The government must ensure the rights of women in all respects, in conformity with Islamic criteria, and accomplish the following goals:

1. Create a favourable environment for the growth of woman's personality and the restoration of her rights, both the material and intellectual;
2. The protection of mothers, particularly during pregnancy and childbearing, and the protection of children without guardians;
3. Establishing competent courts to protect and preserve the family;
4. The provision of special insurance for widows, and aged women and women without support;
5. The awarding of guardianship of children to worthy mothers, in order to protect the interests of the children, in the absence of a legal guardian.

### **Article 22**

The dignity, life, property, rights, residence, and occupation of the individual are inviolate, except in cases sanctioned by law.

### **Article 23**

The investigation of individuals' beliefs is forbidden, and no one may be molested or taken to task simply for holding a certain belief.

### **Article 24**

Publications and the press have freedom of expression except when it is where there is infringement of the basic tenets of Islam or public rights. In this respect detailed provisions will be laid down by law.

### **Article 25**

Examination of (the contents of), and non-delivery of, letters; recording and divulging of telephone conversations; disclosure of telegraphic or telex communications; censorship, pruning or non-transmission of messages; tapping and bugging and any kind of investigation are all forbidden, unless when so ordered by the law.

### **Article 26**

Political parties, societies, political and craft associations, and Islamic or recognized minority religious associations may be freely brought into being, provided that no violation is involved of the principles of independence, freedom, national unity, Islamic standards, and the foundations of the Islamic Republic. No person may be prevented from joining, or compelled to join, one of the above.

### **Article 27**

Unarmed assemblies and marches may be freely organized, provided that no violation of the foundations of Islam is involved.

**Article 28**

Every person is entitled to choose the employment he wishes, so long as it is not contrary to Islam or the public interest or the rights of others.

The Government is bound, with due regard for the needs of society for a variety of employment for all men, to create the possibility of employment, and equal opportunities for obtaining it.

**Article 29**

Every person is entitled to the enjoyment of Social Security. This covers retirement, unemployment, old age, being laid off (AZ KAR OFTADEGI), being without a guardian, casual misfortune, accidents, and occurrences giving rise to the need for health services and medical care and treatment, through insurance etc.

The Government is bound, in accordance with the laws, to use public revenues and the revenue drawn from individual contributions to provide the services and financial support mentioned above for every individual in the country.

**Article 30**

The Government is bound to make available, free of charge, educational facilities for all up to the close of the secondary stage, and to expand free facilities for higher education up to the limits of the country's own capacity.

**Article 31**

Every Iranian individual and family is entitled to a dwelling appropriate to its need. The Government is bound to provide this, giving priority to those whose need is greatest, in particular peasants and workers, in the implementation of this Article.

**Article 32**

No person may be arrested except according to and in the manner laid down in the law. If someone is detained, the subject matter of the charge, with reasons (for bringing it), must immediately be communicated and explained in writing to the accused. Within at most 24 hours the file on the case and preliminary documentation must be referred to the competent legal authority. Legal procedures must be initiated as early as possible. Anyone infringing this principle will be punished in accordance with the law.

**Article 33**

No person may be ousted from his residence, or forbidden to reside in the locality of his choice, or compelled to reside in a particular locality, unless the law prescribes this.

**Article 34**

To ask for justice is the unquestioned right of every individual. Everyone may refer to the competent courts in search of justice. All members of the nation are entitled to have recourse to such courts within their reach. No one may be prevented from recourse to any court to which the law entitles him to refer.

**Article 35**

In all courts, both parties to the claim are entitled to select a lawyer for themselves. If they do not have the capacity to do this, the means of a lawyer being appointed to act for them must be made available to them.

#### **Article 36**

A sentence to punishment and its execution must only be by the decision of a competent court, and by virtue of law.

#### **Article 37**

Innocence is the basic principle No person is considered legally guilty, except in cases where his guilt is established in a competent court.

#### **Article 38**

Any kind of torture used to extract an admission of guilt or to obtain information is forbidden. Compelling people to give evidence, or confess or take an oath is not allowed. Such evidence or confession or oath is null and void. Any person infringing this principle is to be punished in accordance with the law.

#### **Article 39**

Aspersions of the dignity of and respect due to any person who has been arrested or put in detention, or imprisoned or exiled by command of the law is forbidden in any form, and is liable to punishment.

#### **Article 40**

No person may exercise his own rights as a means of constraining others or violating the public interest.

#### **Article 41**

Citizenship of Iran is the unquestioned right of all Iranians. The Government may not deprive any Iranian of his citizenship, except at their own request, or if they take up citizenship of another country.

#### **Article 42**

Foreign nationals may within the limits of the law take up Iranian citizenship. The citizenship of such persons may only be taken away if, possibly, another Government accepts them into citizenship, or at their own request. - See more at:

[http://www.iranchamber.com/government/laws/constitution\\_ch03.php#sthash.9W27wdUd.dpuf](http://www.iranchamber.com/government/laws/constitution_ch03.php#sthash.9W27wdUd.dpuf)

### **Chapter IV**

#### **Economy and Financial Affairs**

#### **Article 43**

The economy of the Islamic Republic of Iran, with its objectives of achieving the economic independence of the society, uprooting poverty and deprivation, and fulfilling human needs in the process of development while preserving human liberty, is based on the following criteria:

1. The provision of basic necessities for all citizens: housing, food, clothing, hygiene, medical treatment, education, and the necessary facilities for the establishment of a family;
2. Ensuring conditions and opportunities of employment for everyone, with a view to attaining full employment; placing the means of work at the disposal of everyone who is able to work but lacks the means, in the form of cooperatives, through granting interest-free loans or recourse to any other legitimate means that neither results in the concentration or circulation of wealth in the hands of a few individuals or groups, nor turns the government into a major absolute employer. These steps must be taken with due regard for the requirements governing the general economic planning of the country at each stage of its growth;
3. The plan for the national economy, must be structured in such a manner that the form, content, and hours of work of every individual will allow him sufficient leisure and energy to engage, beyond his professional endeavour, in intellectual, political, and social activities leading to all-round development of his self, to take active part in leading the affairs of the country, improve his skills, and to make full use of his creativity;
4. Respect for the right to choose freely one's occupation; refraining from compelling anyone to engage in a particular job; and preventing the exploitation of another's labour;
5. The prohibition of infliction of harm and loss upon others, monopoly, hoarding, usury, and other illegitimate and evil practices;
6. The prohibition of extravagance and wastefulness in all matters related to the economy, including consumption, investment, production, distribution, and services;
7. The utilization of science and technology, and the training of skilled personnel in accordance with the developmental needs of the country's economy;
8. Prevention of foreign economic domination over the country's economy;
9. Emphasis on increase of agricultural, livestock, and industrial production in order to satisfy public needs and to make the country self-sufficient and free from dependence.

#### **Article 44**

The economy of the Islamic Republic of Iran is to consist of three sectors: state, cooperative, and private, and is to be based on systematic and sound planning. The state sector is to include all large-scale and mother industries, foreign trade, major minerals, banking, insurance, power generation, dams and large-scale irrigation networks, radio and television, post, telegraph and telephone services, aviation, shipping, roads, railroads and the like; all these will be publicly owned and administered by the State. The cooperative sector is to include cooperative companies and enterprises concerned with production and distribution, in urban and rural areas, in accordance with Islamic criteria. The private sector consists of those activities concerned with agriculture, animal husbandry, industry, trade, and services that supplement the economic activities of the state and cooperative sectors. Ownership in each of these three sectors is protected by the laws of the Islamic Republic, in so far as this ownership is in conformity with the other articles of this chapter, does not go beyond the bounds of Islamic law, contributes to the economic growth and progress of the country, and does not harm society. The [precise] scope of each of these sectors, as well as the regulations and conditions governing their operation, will be specified by law.

#### **Article 45**



Public wealth and property, such as uncultivated or abandoned land, mineral deposits, seas, lakes, rivers and other public water-ways, mountains, valleys, forests, marshlands, natural forests, unenclosed pastures, legacies without heirs, property of undetermined ownership, and public property recovered from usurpers, shall be at the disposal of the Islamic government for it to utilize in accordance with the public interest. Law will specify detailed procedures for the utilization of each of the foregoing items.

#### **Article 46**

Everyone is the owner of the fruits of his legitimate business and labour, and no one may deprive another of the opportunity of business and work under the pretext of his right to ownership.

#### **Article 47**

Private ownership, legitimately acquired, is to be respected. The relevant criteria are determined by law.

#### **Article 48**

There must be no discrimination among the various provinces with regard to the exploitation of natural resources, utilization of public revenues, and distribution of economic activities among the various provinces and regions of the country, thereby ensuring that every region has access to the necessary capital and facilities in accordance with its needs and capacity for growth.

#### **Article 49**

The government has the responsibility of confiscating all wealth accumulated through usury, usurpation, bribery, embezzlement, theft, gambling, misuse of endowments, misuse of government contracts and transactions, the sale of uncultivated lands and other resources subject to public ownership, the operation of centres of corruption, and other illicit means and sources, and restoring it to its legitimate owner; and if no such owner can be identified, it must be entrusted to the public treasury. This rule must be executed by the government with due care, after investigation and furnishing necessary evidence in accordance with the law of Islam.

#### **Article 50**

The preservation of the environment, in which the present as well as the future generations have a right to flourishing social existence, is regarded as a public duty in the Islamic Republic. Economic and other activities that inevitably involve pollution of the environment or cause irreparable damage to it are therefore forbidden.

#### **Article 51**

No form of taxation may be imposed except in accordance with the law. Provisions for tax exemption and reduction will be determined by law.

#### **Article 52**

The annual budget of the country will be drawn up by the government, in the manner specified by law, and submitted to the Islamic Consultative Assembly for discussion and approval. Any change in the figures contained in the budget will be in accordance with the procedures prescribed by law.

**Article 53**

All sums collected by the government will be deposited into the government accounts at the central treasury, and all disbursements, within the limits of allocations approved, shall be made in accordance with law.

**Article 54**

The National Accounting Agency is to be directly under the supervision of the Islamic Consultative Assembly. Its organisation and mode of operation in Tehran and at the provincial capitals, are to be determined by law.

**Article 55**

The National Accounting Agency will inspect and audit, in the manner prescribed by law, all the accounts of ministries, government institutions and companies as well as other organisations that draw, in any way, on the general budget of the country, to ensure that no expenditure exceeds the allocations approved and that all sums are spent for the specified purpose. It will collect all relevant accounts, documents, and records, in accordance with law, and submit to the Islamic Consultative Assembly a report for the settlement of each year's budget together with its own comments. This report must be made available to the public. - See more at:

[http://www.iranchamber.com/government/laws/constitution\\_ch04.php#sthash.rvQVQDSm.dpuf](http://www.iranchamber.com/government/laws/constitution_ch04.php#sthash.rvQVQDSm.dpuf)

**Chapter V****The Right of National Sovereignty and the Powers Deriving There from****Article 56**

Absolute sovereignty over the world and man belongs to God, and it is He Who has made man master of his own social destiny. No one can deprive man of this divine right, nor subordinate it to the vested interests of a particular individual or group. The people are to exercise this divine right in the manner specified in the following articles.

**Article 57**

The powers of government in the Islamic Republic are vested in the legislature, the judiciary, and the executive powers, functioning under the supervision of the absolute wilayat al-'amr and the leadership of the Ummah, in accordance with the forthcoming articles of this Constitution. These powers are independent of each other.

**Article 58**

The function of the legislature are to be exercised through the Islamic Consultative Assembly, consisting of the elected representatives of the people. Legislation approved by this body, after going through the stages specified in the articles below, is communicated to the executive and the judiciary for implementation.

**Article 59**

In extremely important economic, political, social, and cultural matters, the function of the legislature may be exercised through direct recourse to popular vote through a referendum. Any request for such direct recourse to public opinion must be approved by two-thirds of the members of the Islamic Consultative Assembly.

**Article 60**

The functions of the executive, except in the matters that are directly placed under the jurisdiction of the Leadership by the Constitution, are to be exercised by the president and the ministers.

**Article 61**

The function of the judiciary are to be performed by courts of justice, which are to be formed in accordance with the criteria of Islam, and are vested with the authority to examine and settle lawsuits, protect the rights of the public, dispense and enact justice, and implement the Divine limits [al-hudud al-Ilahiyyah]. - See more at:

[http://www.iranchamber.com/government/laws/constitution\\_ch05.php#sthash.Y3xh4P11.dpuf](http://www.iranchamber.com/government/laws/constitution_ch05.php#sthash.Y3xh4P11.dpuf)

**Chapter VI****The Legislative Power****Section One****The Islamic Consultative Assembly****Article 62**

The Islamic consultative Assembly is constituted by the representatives of the people elected directly and by secret ballot. The qualifications of voters and candidates, as well as the nature of election, will be specified by law.

**Article 63**

The term of membership in the Islamic Consultative Assembly is four years. Elections for each term must take place before the end of the preceding term, so that the country is never without an Assembly.

**Article 64**

There are to be two hundred seventy members of the Islamic Consultative Assembly which, keeping in view the human, political, geographic and other similar factors, may increase by not more than twenty for each ten-year period from the date of the national referendum of the year 1368 of the solar Islamic calendar. The Zoroastrians and Jews will each elect one representative; Assyrian and Chaldean Christians will jointly elect one representative; and Armenian Christians in the north and those in the south of the country will each elect one representative. The limits of the election constituencies and the number of representatives will be determined by law.

**Article 65**

After the holding of elections, sessions of the Islamic Consultative Assembly are considered legally valid when two-thirds of the total number of members are present. Drafts and bills will be approved in accordance with the code of procedure approved by it, except in cases where the Constitution has specified a certain quorum. The consent of two-thirds of all members present is necessary for the approval of the code of procedure of the Assembly.

**Article 66**

The manner of election of the Speaker and the Presiding Board of the Assembly, the number of committees and their term of office, and matters related to conducting the discussions and maintaining the discipline of the Assembly will be determined by the code of procedure of the Assembly.

#### **Article 67**

Members of the Assembly must take the following oath at the first session of the Assembly and affix their signatures to its text: In the Name of God, the Compassionate, the Merciful. In the presence of the Glorious Qur'an, I swear by God, the Exalted and Almighty, and undertake, swearing by my own honour as a human being, to protect the sanctity of Islam and guard the accomplishments of the Islamic Revolution of the Iranian people and the foundations of the Islamic Republic; to protect, as a just trustee, the honour bestowed upon me by the people, to observe piety in fulfilling my duties as people's representative; to remain always committed to the independence and honour of the country; to fulfil my duties towards the nation and the service of the people; to defend the Constitution; and to bear in mind, both in speech and writing and in the expression of my views, the independence of the country, the freedom of the people, and the security of their interests.

Members belonging to the religious minorities will swear by their own sacred books while taking this oath.

Members not attending the first session will perform the ceremony of taking the oath at the first session they attend.

#### **Article 68**

In time of war and the military occupation of the country, elections due to be held in occupied areas or countrywide may be delayed for a specified period if proposed by the President of the Republic, and approved by three-fourths of the total members of the Islamic Consultative Assembly, with the endorsement of the Guardian Council. If a new Assembly is not formed, the previous one will continue to function.

#### **Article 69**

The deliberations of the Islamic Consultative Assembly must be open, and full minutes of them made available to the public by the radio and the official gazette. A closed session may be held in emergency conditions, if it is required for national security, upon the requisition of the President, one of the ministers, or ten members of the Assembly. Legislation passed at a closed session is valid only when approved by three-fourths of the members in the presence of the Guardian Council. After emergency conditions have ceased to exist, the minutes of such closed sessions, together with any legislation approved in them, must be made available to the public.

#### **Article 70**

The President, his deputies and the ministers have the right to participate in the open sessions of the Assembly either collectively or individually. They may also have their advisers accompany them. If the members of the Assembly deem it necessary, the ministers are obliged to attend [Conversely], whenever they request it, their statements are to be heard.

## **Section Two**

### **Powers and Authority of the Islamic Consultative Assembly**

**Article 71**

The Islamic Consultative Assembly can establish laws on all matters, within the limits of its competence as laid down in the Constitution.

**Article 72**

The Islamic Consultative Assembly cannot enact laws contrary to the usual and ahkam of the official religion of the country or to the Constitution. It is the duty of the Guardian Council to determine whether a violation has occurred, in accordance with Article 96.

**Article 73**

The interpretation of ordinary laws falls within the competence of the Islamic Consultative Assembly. The intent of this Article does not prevent the interpretations that judges may make in the course of cassation.

**Article 74**

Government bills are presented to the Islamic Consultative Assembly after receiving the approval of the Council of Ministers. Members' bills may be introduced in the Islamic Consultative Assembly if sponsored by at least fifteen members.

**Article 75**

Members' bills and proposals and amendments to government's bills proposed by members that entail the reduction of the public income or the increase of public expenditure may be introduced in the Assembly only if means for compensating for the decrease in income or for meeting the new expenditure are also specified.

**Article 76**

The Islamic Consultative Assembly has the right to investigate and examine all the affairs of the country.

**Article 77**

International treaties, protocols, contracts, and agreements must be approved by the Islamic Consultative Assembly.

**Article 78**

All changes in the boundaries of the country are forbidden, with the exception of minor amendments in keeping with the interests of the country, on condition that they are not unilateral, do not encroach on the independence and territorial integrity of the country, and receive the approval of four-fifths of the total members of the Islamic Consultative Assembly.

**Article 79**

The proclamation of martial law is forbidden. In case of war or emergency conditions akin to war, the government has the right to impose temporarily certain necessary restrictions, with the agreement of the Islamic Consultative Assembly. In no case can such restrictions last for more

than thirty days; if the need for them persists beyond this limit, the government must obtain new authorization for them from the Assembly.

#### **Article 80**

The taking and giving of loans or grants-in-aid, domestic and foreign, by the government, must be approved by the Islamic Consultative Assembly.

#### **Article 81**

The granting of concessions to foreigners for the formation of companies or institutions dealing with commerce, industry, agriculture, services or mineral extraction, is absolutely forbidden.

#### **Article 82**

The employment of foreign experts is forbidden, except in cases of necessity and with the approval of the Islamic Consultative Assembly.

#### **Article 83**

Government buildings and properties forming part of the national heritage cannot be transferred except with the approval of the Islamic Consultative Assembly; that, too, is not applicable in the case of irreplaceable treasures.

#### **Article 84**

Every representative is responsible to the entire nation and has the right to express his views on all internal and external affairs of the country.

#### **Article 85**

The right of membership is vested with the individual, and is not transferable to others. The Assembly cannot delegate the power of legislation to an individual or committee. But whenever necessary, it can delegate the power of legislating certain laws to its own committees, in accordance with Article 72. In such a case, the laws will be implemented on a tentative basis for a period specified by the Assembly, and their final approval will rest with the Assembly. Likewise, the Assembly may, in accordance with Article 72, delegate to the relevant committees the responsibility for permanent approval of articles of association of organisations, companies, government institutions, or organisations affiliated to the government and or invest the authority in the government. In such a case, the government approvals must not be inconsistent with the principles and commandments of the official religion in the country and or the Constitution which question shall be determined by the Guardian Council in accordance with what is stated in Article 96. In addition to this, the government approvals shall not be against the laws and other general rules of the country and, while calling for implementation, the same shall be brought to the knowledge of the Speaker of the Islamic Consultative Assembly for his study and indication that the approvals in question are not inconsistent with the aforesaid rules.

#### **Article 86**

Members of the Assembly are completely free in expressing their views and casting their votes in the course of performing their duties as representatives, and they cannot be prosecuted or arrested for opinions expressed in the Assembly or votes cast in the course of performing their duties as representatives.

**Article 87**

The President must obtain, for the Council of Ministers, after being formed and before all other business, a vote of confidence from the Assembly. During his incumbency, he can also seek a vote of confidence for the Council of Ministers from the Assembly on important and controversial issues.

**Article 88**

Whenever at least one-fourth of the total members of the Islamic Consultative Assembly pose a question to the President, or any one member of the Assembly poses a question to a minister on a subject relating to their duties, the President or the minister is obliged to attend the Assembly and answer the question. This answer must not be delayed more than one month in the case of the President and ten days in the case of the minister, except with an excuse deemed reasonable by the Islamic Consultative Assembly.

**Article 89**

1. Members of the Islamic Consultative Assembly can interpolate the Council of Ministers or an individual minister in instances they deem necessary. Interpolations can be tabled if they bear the signatures of at least ten members. The Council of Ministers or interpolated minister must be present in the Assembly within ten days after the tabling of the interpolation in order to answer it and seek a vote of confidence. If the Council of Ministers or the minister concerned fails to attend the Assembly, the members who tabled the interpolation will explain their reasons, and the Assembly will declare a vote of no-confidence if it deems it necessary. If the Assembly does not pronounce a vote of confidence, the Council of Ministers or the minister subject to interpolation is dismissed. In both cases, the ministers subject to interpolation cannot become members of the next Council of Ministers formed immediately afterwards.
2. In the event at least one-third of the members of the Islamic Consultative Assembly interpolate the President concerning his executive responsibilities in relation with the Executive Power and the executive affairs of the country, the President must be present in the Assembly within one month after the tabling of the interpolation in order to give adequate explanations in regard to the matters raised. In the event, after hearing the statements of the opposing and favouring members and the reply of the President, two-thirds of the members of the Assembly declare a vote of no confidence, the same will be communicated to the Leadership for information and implementation of Section (10) of Article 110 of the Constitution.

**Article 90**

Whoever has a complaint concerning the work of the Assembly or the executive power, or the judicial power can forward his complaint in writing to the Assembly. The Assembly must investigate his complaint and give a satisfactory reply. In cases where the complaint relates to the executive or the judiciary, the Assembly must demand proper investigation in the matter and an adequate explanation from them, and announce the results within a reasonable time. In cases where the subject of the complaint is of public interest, the reply must be made public.



**Article 91**

With a view to safeguard the Islamic ordinances and the Constitution, in order to examine the compatibility of the legislation passed by the Islamic Consultative Assembly with Islam, a council to be known as the Guardian Council is to be constituted with the following composition:

1. six 'adil fuqaha' conscious of the present needs and the issues of the day, to be selected by the Leader.
2. six jurists, specializing in different areas of law, to be elected by the Islamic Consultative Assembly from among the Muslim jurists nominated-by the Head of the Judicial Power.

**Article 92**

Members of the Guardian Council are elected to serve for a period of six years, but during the first term, after three years have passed, half of the members of each group will be changed by lot and new members will be elected in their place.

**Article 93**

The Islamic Consultative Assembly does not hold any legal status if there is no Guardian Council in existence, except for the purpose of approving the credentials of its members and the election of the six jurists on the Guardian Council.

**Article 94**

All legislation passed by the Islamic Consultative Assembly must be sent to the Guardian Council. The Guardian Council must review it within a maximum of ten days from its receipt with a view to ensuring its compatibility with the criteria of Islam and the Constitution. If it finds the legislation incompatible, it will return it to the Assembly for review. Otherwise the legislation will be deemed enforceable.

**Article 95**

In cases where the Guardian Council deems ten days inadequate for completing the process of review and delivering a definite opinion, it can request the Islamic Consultative Assembly to grant an extension of the time limit not exceeding ten days.

**Article 96**

The determination of compatibility of the legislation passed by the Islamic Consultative Assembly with the laws of Islam rests with the majority vote of the fuqaha' on the Guardian Council; and the determination of its compatibility with the Constitution rests with the majority of all the members of the Guardian Council.

**Article 97**

In order to expedite the work, the members of the Guardian Council may attend the Assembly and listen to its debates when a government bill or a members' bill is under discussion. When an urgent government or members' bill is placed on the agenda of the Assembly, the members of the Guardian Council must attend the Assembly and make their views known.

**Article 98**

The authority of the interpretation of the Constitution is vested with the Guardian Council, which

is to be done with the consent of three-fourths of its members.

### **Article 99**

The Guardian Council has the responsibility of supervising the elections of the Assembly of Experts for Leadership, the President of the Republic, the Islamic Consultative Assembly, and the direct recourse to popular opinion and referenda. - See more at:

[http://www.iranchamber.com/government/laws/constitution\\_ch06.php#sthash.SgPGpbrX.dpuf](http://www.iranchamber.com/government/laws/constitution_ch06.php#sthash.SgPGpbrX.dpuf)

## **Chapter VII** **Councils**

### **Article 100**

In order to expedite social, economic, development, public health, cultural, and educational programs and facilitate other affairs relating to public welfare with the cooperation of the people according to local needs, the administration of each village, division, city, municipality, and province will be supervised by a council to be named the Village, Division, City, Municipality, or Provincial Council. Members of each of these councils will be elected by the people of the locality in question. Qualifications for the eligibility of electors and candidates for these councils, as well as their functions and powers, the mode of election, the jurisdiction of these councils, the hierarchy of their authority, will be determined by law, in such a way as to preserve national unity, territorial integrity, the system of the Islamic Republic, and the sovereignty of the central government.

### **Article 101**

In order to prevent discrimination in the preparation of programs for the development and welfare of the provinces, to secure the cooperation of the people, and to arrange for the supervision of coordinated implementation of such programs, a Supreme Council of the Provinces will be formed, composed of representatives of the Provincial Councils. Law will specify the manner in which this council is to be formed and the functions that it is to fulfil.

### **Article 102**

The Supreme Council of the Provinces has the right within its jurisdiction to draft bills and to submit them to the Islamic Consultative Assembly, either directly or through the government. These bills must be examined by the Assembly.

### **Article 103**

Provincial governors, city governors, divisional governors, and other officials appointed by the government must abide by all decisions taken by the councils within their jurisdiction.

### **Article 104**

In order to ensure Islamic equity and cooperation in chalking out the programs and to bring about the harmonious progress of all units of production, both industrial and agricultural, councils consisting of the representatives of the workers, peasants, other employees, and managers, will be formed in educational and administrative units, units of service industries, and other units of a like nature, similar councils will be formed, composed of representatives of the members of those units. The mode of the formation of these councils and the scope of their functions and

powers, are to be specified by law.

#### **Article 105**

Decisions taken by the councils must not be contrary to the criteria of Islam and the laws of the country.

#### **Article 106**

The councils may not be dissolved unless they deviate from their legal duties. The body responsible for determining such deviation, as well as the manner for dissolving the councils and re-forming them, will be specified by law. Should a council have any objection to its dissolution, it has the right to appeal to a competent court, and the court is duty-bound to examine its complaint outside the docket sequence. - See more at:

[http://www.iranchamber.com/government/laws/constitution\\_ch07.php#sthash.2swtfkja.dpuf](http://www.iranchamber.com/government/laws/constitution_ch07.php#sthash.2swtfkja.dpuf)

### **Chapter VIII**

#### **The Leader or Leadership Council**

#### **Article 107**

After the demise of the eminent marji' al-taqlid and great leader of the universal Islamic revolution, and founder of the Islamic Republic of Iran, Ayatullah al-'Uzma Imam Khomeini - quddisa sirruh al-sharif - who was recognized and accepted as marji' and Leader by a decisive majority of the people, the task of appointing the Leader shall be vested with the experts elected by the people. The experts will review and consult among themselves concerning all the fuqaha' possessing the qualifications specified in Articles 5 and 109. In the event they find one of them better versed in Islamic regulations, the subjects of the fiqh, or in political and social Issues, or possessing general popularity or special prominence for any of the qualifications mentioned in Article 109, they shall elect him as the Leader. Otherwise, in the absence of such a superiority, they shall elect and declare one of them as the Leader. The Leader thus elected by the Assembly of Experts shall assume all the powers of the wilayat al-amr and all the responsibilities arising therefrom. The Leader is equal with the rest of the people of the country in the eyes of law.

#### **Article 108**

The law setting out the number and qualifications of the experts [mentioned in, the preceding article], the mode of their election, and the code of procedure regulating the sessions during the first term, must be drawn up by the fuqaha' on the first Guardian Council, passed by a majority of votes and then finally approved by the Leader of the Revolution. The power to make any subsequent change or a review of this law, or approval of all the provisions concerning the duties of the experts is vested in themselves.

#### **Article 109**

Following are the essential qualifications and conditions for the Leader:

- a. scholarship, as required for performing the functions of mufti in different fields of fiqh.
- b. Justice and piety, as required for the leadership of the Islamic Ummah.
- c. right political and social perspicacity, prudence, courage, administrative facilities and adequate capability for leadership.

In case of multiplicity of persons fulfilling the above qualifications and conditions, the person possessing the better jurisprudential and political perspicacity will be given preference.

### **Article 110**

Following are the duties and powers of the Leadership:

1. Delineation of the general policies of the Islamic Republic of Iran after consultation with the Nation's Exigency Council.
2. Supervision over the proper execution of the general policies of the system.
3. Issuing decrees for national referenda.
4. Assuming supreme command of the armed forces.
5. Declaration of war and peace, and the mobilization of the armed forces.
6. Appointment, dismissal, and acceptance of resignation of:
  - a. The fuqaha' on the Guardian Council.
  - b. The supreme judicial authority of the country.
  - c. The head of the radio and television network of the Islamic Republic of Iran.
  - d. The chief of the joint staff.
  - e. The chief commander of the Islamic Revolution Guards Corps.
  - f. The supreme commanders of the armed forces.
7. Resolving differences between the three wings of the armed forces and regulation of their relations.
8. Resolving the problems, which cannot be solved by conventional methods, through the Nation's Exigency Council.
9. Signing the decree formalizing the election of the President of the Republic by the people. The suitability of candidates for the Presidency of the Republic, with respect to the qualifications specified in the Constitution, must be confirmed before elections take place by the Guardian Council; and, in the case of the first term [of the Presidency], by the Leadership.
10. Dismissal of the President of the Republic, with due regard for the interests of the country, after the Supreme Court holds him guilty of the violation of his constitutional duties, or after a vote of the Islamic Consultative Assembly testifying to his incompetence on the basis of Article 89 of the Constitution.
11. Pardoning or reducing the sentences of convicts, within the framework of Islamic criteria, on a recommendation [to that effect] from the Head of judicial power.

The Leader may delegate part of his duties and powers to another person.

### **Article 111**

Whenever the Leader becomes incapable of fulfilling his constitutional duties, or loses one of the qualifications mentioned in Articles 5 and 109, or it becomes known that he did not possess some of the qualifications initially, he will be dismissed. The authority of determination in this matter is vested with the experts specified in Article 108. In the event of the death, or resignation or dismissal of the Leader, the experts shall take steps within the shortest possible time for the appointment of the new Leader. Till the appointment of the new Leader, a council consisting of

the President, head of the judicial power, and a faqih from the Guardian Council, upon the decision of the Nation's Exigency Council, shall temporarily take over all the duties of the Leader. In the event, during this period, any one of them is unable to fulfil his duties for whatsoever reason, another person, upon the decision of majority of fuqaha' in the Nation's Exigency Council shall be elected in his place. This council shall take action in respect of items 1,3,5, and 10, and sections d, e and f of item 6 of Article 110, upon the decision of three-fourths of the members of the Nation's Exigency Council. Whenever the Leader becomes temporarily unable to perform the duties of leadership owing to his illness or any other incident, then during this period, the council mentioned in this Article shall assume his duties.

### **Article 112**

Upon the order of the Leader, the Nation's Exigency Council shall meet at any time the Guardian Council judges a proposed bill of the Islamic Consultative Assembly to be against the principles of Sharia or the Constitution, and the Assembly is 'unable to meet the expectations of the Guardian Council. Also, the Council shall meet for consideration on any issue forwarded to it by the Leader and shall carry out any other responsibility as mentioned in this Constitution. The permanent and changeable members of the Council shall be appointed by the Leader. The rules for the Council shall be formulated and approved by the Council members subject to the confirmation by the Leader. - See more at:

[http://www.iranchamber.com/government/laws/constitution\\_ch08.php#sthash.yXRIOT6r.dpuf](http://www.iranchamber.com/government/laws/constitution_ch08.php#sthash.yXRIOT6r.dpuf)

## **Chapter IX**

### **The Executive Power**

#### **Section One**

#### **The Presidency**

### **Article 113**

After the office of Leadership, the President is the highest official in the country. His is the responsibility for implementing the Constitution and acting as the head of the executive, except in matters directly concerned with (the office of) the Leadership.

### **Article 114**

The President is elected for a four-year term by the direct vote of the people. His re-election for a successive term is permissible only once.

### **Article 115**

The President must be elected from among religious and political personalities possessing the following qualifications: Iranian origin; Iranian nationality; administrative capacity and resourcefulness; a good past-record; trustworthiness and piety; convinced belief in the fundamental principles of the Islamic Republic of Iran and the official religion of the country.

### **Article 116**

Candidates nominated for the post of President must declare their candidature officially. Law lays down the manner in which the President is to be elected.

**Article 117**

The President is elected by an absolute majority of votes polled by the voters. But if none of the candidates is able to win such a majority In the first round, voting will take place a second time on Friday of the following week. In the second round only the two candidates who received greatest number of votes in the first round will participate. If, however, some of the candidates securing greatest votes in the first round withdraw from the elections, the final choice will be between the two candidates who won greater number of votes than all the remaining candidates.

**Article 118**

Responsibility for the supervision of the election, of the President lies with the Guardian Council, as stipulated in Article 99. But before the establishment of the first Guardian Council, however, it lies with a supervisory body to be constituted by law.

**Article 119**

The election of a new President must take place no later than one month before the end of the term of the outgoing President. In the interim period before the election of the new President and the end of the term of the outgoing President, the outgoing President will perform the duties of the, President.

**Article 120**

In case any of the candidates whose suitability is established in terms of the qualifications listed above should die within ten days before polling day, the elections will be postponed for two weeks. If one of the candidates securing greatest number of votes dies in the intervening period between the first and second rounds of voting, the period for holding (the second round of) the election will be extended for two weeks.

**Article 121**

The President must take the following oath and affix his signature to it at a session of the Islamic Consultative Assembly in the presence of the head of the judicial power and the members of the Guardian Council:

"In, the Name of God, the Compassionate, the Merciful, I, as President, swear, in the presence of the Noble Qur'an and the people of Iran, by God, the Exalted and Almighty, that I will guard the official religion of the country, the order of the Islamic Republic and the Constitution of the country; that I will devote all my capacities and abilities to the fulfilment of the responsibilities that I have assumed; that I will dedicate myself to the service of the people, the honour of the country, the propagation of religion and morality, and the support of truth and justice, refraining from every kind of arbitrary behaviour; that I will protect the freedom and dignity of all citizens and the rights that the Constitution has accorded the people; that in guarding the frontiers and the political, economic, and cultural independence of the country I will not shirk any necessary measure; that, seeking help from God and following the Prophet of Islam and the infallible Imams (peace be upon them), I will guard, as a pious and selfless trustee, the authority vested in me by the people as a sacred trust, and transfer it to whomever the people may elect after me."

**Article 122**

The President, within the limits of his powers and duties, which he has by virtue of this Constitution or other laws, is responsible to the people, the Leader and the Islamic Consultative

Assembly.

#### **Article 123**

The President is obliged to sign legislation approved by the Assembly or the result of a referendum, after the (related) legal procedures have been completed and it has been communicated to him. After signing, he must forward it to the responsible authorities for implementation.

#### **Article 124**

The President may have deputies for the performance of his constitutional duties. With the approval of the President, the first deputy of the President shall be vested with the responsibilities of administering the affairs of the Council of Ministers and coordination of functions of other deputies.

#### **Article 125**

The President or his legal representative has the authority to sign treaties, protocols, contracts, and agreements concluded by the Iranian government with other governments, as well as agreements pertaining to international organisations, after obtaining the approval of the Islamic Consultative Assembly.

#### **Article 126**

The President is responsible for national planning and budget and state employment affairs and may entrust the administration of these to others.

#### **Article 127**

In special circumstances, subject to approval of the Council of Ministers the President may appoint one or more special representatives with specific powers. In such cases, the decisions of his representative(s) will be considered as the same as those of the President and the Council of Ministers.

#### **Article 128**

The ambassadors shall be appointed upon the recommendation of the foreign minister and approval of the President. The President signs the credentials of ambassadors and receives the credentials presented by the ambassadors, of the foreign countries.

#### **Article 129**

The award of state decorations is a prerogative of the President.

#### **Article 130**

The President shall submit his resignation to the Leader and shall continue performing his duties until his resignation is not accepted.

#### **Article 131**

In case of death, dismissal, resignation, absence, or illness lasting longer than two months of the President, or when his term in office has ended and a new president has not been elected due to some impediments, or similar other circumstances, his first deputy shall assume, with the



approval of the Leader, the powers and functions of the President. The Council, consisting of the Speaker of the Islamic Consultative Assembly, head of the judicial power, and the first deputy of the President, is obliged to arrange for a new President to be elected within a maximum period of fifty days. In case of death of the first deputy to the President, or other matters which prevent him to perform his duties, or when the President does not have a first deputy, the Leader shall appoint another person in his place.

### **Article 132**

During the period when the powers and responsibilities of the President are assigned to his first deputy or the other person in accordance with Article 131, neither can the ministers be interpolated nor can a vote of no-confidence be passed against them. Also, neither can any step be undertaken for a review of the Constitution, nor a national referendum be held.

## **Section Two**

### **The President and The Ministers**

### **Article 133**

Ministers will be appointed by the President and will be presented to the Assembly for a vote of confidence. With the change of Assembly, a new vote of confidence will not be necessary. The number of ministers and the jurisdiction of each will be determined by law.

### **Article 134**

The President is the head of the Council of Ministers. He supervises the work of the ministers and takes all necessary measures to coordinate the decisions of the government. With the cooperation of the ministers, he determines the program and policies of the government and implements the laws. In the case of discrepancies, or interference in the constitutional duties of the government agencies, the decision of the Council of Ministers at the request of the President shall be binding provided it does not call for an interpretation of or modification in the laws. The President is responsible to the Assembly for the actions of the Council of Ministers.

### **Article 135**

The ministers shall continue in office unless they are dismissed, or given a vote of no-confidence by the Assembly as a result of their interpolation, or a motion for a vote of no-confidence against them.

The resignation of the Council of Ministers, or that of each of them shall be submitted to the President, and the Council of Ministers shall continue to function until such time as the new government is appointed.

The President can appoint a caretaker for a maximum period of three months for the ministries having no minister.

### **Article 136**

The President can dismiss the ministers and in such a case he must obtain a vote of confidence for the new minister(s) from the Assembly. In case half of the members of the Council of Ministers are changed after the government has received its vote of confidence from the Assembly, the government must seek a fresh vote of confidence from the Assembly.

**Article 137**

Each of the ministers is responsible for his duties to the President and the Assembly, but in matters approved by the Council of Ministers as a whole, he is also responsible for the actions of the others.

**Article 138**

In addition to instances in which the Council of Ministers or a single minister is authorized to frame procedures for the implementation of laws, the Council of Ministers has the right to lay down rules, regulations, and procedures for performing its administrative duties, ensuring the implementation of laws, and setting up administrative bodies. Each of the ministers also has the right to frame regulations and issue circular in matters within his jurisdiction and in conformity with the decisions of the Council of Ministers. However, the content of all such regulations must not violate the letter or the spirit of the law. The government can entrust any portion of its task to the commissions composed of some ministers. The decisions of such commissions within the rules will be binding after the endorsement of the President.

The ratification and the regulations of the government and the decisions of the commissions mentioned under this Article shall also be brought to the notice of the Speaker of the Islamic Consultative Assembly while being communicated for implementation so that in the event he finds them contrary to law, he may send the same stating the reason for reconsideration by the Council of Ministers.

**Article 139**

The settlement, of claims relating to public and state property or the referral thereof to arbitration is in every case dependent on the approval of the Council of Ministers, and the Assembly must be informed of these matters. In cases where one party to the dispute is a foreigner, as well as in important cases that are purely domestic, the approval of the Assembly must also be obtained. Law will specify the important cases intended here.

**Article 140**

Allegations of common crimes against the President, his deputies, and the ministers will be investigated in common courts of justice with the knowledge of the Islamic Consultative Assembly.

**Article 141**

The President, the deputies to the President, ministers, and government employees cannot hold more than one government position, and it is forbidden for them to hold any kind of additional post in institutions of which all or a part of the capital belongs to the government or public institutions, to be a member of the Islamic Consultative Assembly, to practice the profession of attorney or legal adviser, or to hold the post of president, managing director, or membership of the board of directors of any kind of private company, with the exception of cooperative companies affiliated to the government departments and institutions. Teaching positions in universities and research institutions are exempted from this rule.

**Article 142**

The assets of the Leader, the President, the deputies to the President, and ministers, as well as those of their spouses and offspring, are to be examined before and after their term of office by the head of the judicial power, in order to ensure they have not increased in a fashion contrary to law.

### **Section Three**

#### **The Army and The Islamic Revolutionary Guards Corps**

##### **Article 143**

The Army of the Islamic Republic of Iran is responsible for guarding the independence and territorial integrity of the country, as well as the order of the Islamic Republic.

##### **Article 144**

The Army of the Islamic Republic of Iran must be an Islamic Army, i.e., committed to Islamic ideology and the people, and must recruit into its service individuals who have faith in the objectives of the Islamic Revolution and are devoted to the cause of realizing its goals.

##### **Article 145**

No foreigner will be accepted into the Army or security forces of the country.

##### **Article 146**

The establishment of any kind of foreign military base in Iran, even for peaceful purposes, is forbidden.

##### **Article 147**

In time of peace, the government must utilize the personnel and technical equipment of the Army in relief operations, and for educational and productive ends, and the Construction Jihad, while fully observing the criteria of Islamic justice and ensuring that such utilization does not harm the combat-readiness of the Army.

##### **Article 148**

All forms of personal use of military vehicles, equipment, and other means, as well as taking advantage of Army personnel as personal servants and chauffeurs or in similar capacities, are forbidden.

##### **Article 149**

Promotions in military rank and their withdrawal take place in accordance with the law.

##### **Article 150**

The Islamic Revolution Guards Corps, organized in the early days of the triumph of the Revolution, is to be maintained so that it may continue in its role of guarding the Revolution and its achievements. The scope of the duties of this Corps, and its areas of responsibility, in relation to the duties and areas of responsibility of the other armed forces, are to be determined by law, with emphasis on brotherly cooperation and harmony among them.

##### **Article 151**

In accordance with the noble Qur'anic verse:

"(Prepare against them whatever force you are able to muster, and horses ready for battle, striking fear into God's enemy and your enemy, and others beyond them unknown to you but known to God... [8:60])" the government is obliged to provide a program of military training, with all requisite facilities, for all its citizens, in accordance with the Islamic criteria, in such a way that all citizens will always be able to engage in the armed defence of the Islamic Republic of Iran. The possession of arms, however, requires the granting of permission by the competent authorities. - See more at:

[http://www.iranchamber.com/government/laws/constitution\\_ch09.php#sthash.IsiagzPE.dpuf](http://www.iranchamber.com/government/laws/constitution_ch09.php#sthash.IsiagzPE.dpuf)

## **Chapter X**

### Foreign Policy

#### **Article 152**

The foreign policy of the Islamic Republic of Iran is based upon the rejection of all forms of domination, both the exertion of it and submission to it, the preservation of the independence of the country in all respects and its territorial integrity, the defence of the rights of all Muslims, non-alignment with respect to the hegemonic superpowers, and the maintenance of mutually peaceful relations with all non-belligerent States.

#### **Article 153**

Any form of agreement resulting in foreign control over the natural resources, economy, army, or culture of the country, as well as other aspects of the national life, is forbidden.

#### **Article 154**

The Islamic Republic of Iran has as its ideal human felicity throughout human society, and considers the attainment of independence, freedom, and rule of justice and truth to be the right of all people of the world. Accordingly, while scrupulously refraining from all forms of interference in the internal affairs of other nations, it supports the just struggles of the mustad'afun against the mustakbirun in every corner of the globe.

#### **Article 155**

The government of the Islamic Republic of Iran may grant political asylum to those who seek it unless they are regarded as traitors and saboteurs according to the laws of Iran. - See more at: [http://www.iranchamber.com/government/laws/constitution\\_ch10.php#sthash.Ovf7vvKe.dpuf](http://www.iranchamber.com/government/laws/constitution_ch10.php#sthash.Ovf7vvKe.dpuf)

## **Chapter XI**

### The Judiciary

#### **Article 156**

The judiciary is an independent power, the protector of the rights of the individual and society, responsible for the implementation of justice, and entrusted with the following duties:

1. Investigating and passing judgment on grievances, violations of rights, and complaints; the resolving of litigation; the settling of disputes; and the taking of all necessary decisions and measures in probate matters as the law may determine;
2. Restoring public rights and promoting justice and legitimate freedoms;
3. Supervising the proper enforcement of laws;
4. Uncovering crimes; prosecuting, punishing, and chastising criminals; and enacting the penalties and provisions of the Islamic penal code;
5. Taking suitable measures to prevent the occurrence of crime and to reform criminals.

#### **Article 157**

In order to fulfil the responsibilities of the judiciary power in all the matters concerning judiciary, administrative and executive areas, the Leader shall appoint a just Mujtahid well versed in judiciary affairs and possessing prudence and administrative abilities as the head of the judiciary power for a period of five years who shall be the highest judicial authority.

#### **Article 158**

The head of the judiciary branch is responsible for the following:

1. Establishment of the organisational structure necessary for the administration of justice commensurate with the responsibilities mentioned under Article 156.
2. Drafting judiciary bills appropriate for the Islamic Republic.
3. Employment of just and worthy judges, their dismissal, appointment, transfer, assignment to particular duties, promotions, and carrying out similar administrative duties, in accordance with the law.

#### **Article 159**

The courts of justice are the official bodies to which all grievances and complaints are to be referred. The formation of courts and their jurisdiction is to be determined by law.

#### **Article 160**

The Minister of Justice owes responsibility in all matters concerning the relationship between the judiciary, on the one hand, and the executive and legislative branches, on the other hand. He will be elected from among the individuals proposed to the President by the head of the judiciary branch. The head of the judiciary may delegate full authority to the Minister of Justice in financial and administrative areas and for employment of personnel other than judges in which case the Minister of Justice shall have the same authority and responsibility as those possessed by the other ministers in their capacity as the highest ranking government executives.

#### **Article 161**

The Supreme Court is to be formed for the purpose of supervising the correct implementation of the laws by the courts, ensuring uniformity of judicial procedure, and fulfilling any other responsibilities assigned to it by law, on the basis of regulations to be established by the head of the judicial branch.

#### **Article 162**

The chief of the Supreme Court and the Prosecutor-General must both be just mujtahids well

versed in judicial matters. They will be nominated by the head of the judiciary branch for a period of five years, in consultation with the judges of the Supreme Court.

#### **Article 163**

The conditions and qualifications to be fulfilled by a judge will be determined by law, in accordance with the criteria of fiqh.

#### **Article 164**

A judge cannot be removed, whether temporarily or permanently, from the post he occupies except by trial and proof of his guilt, or in consequence of a violation entailing his dismissal. A judge cannot be transferred or redesignated without his consent, except in cases when the interest of society necessitates it, that too, with the decision of the head of the judiciary branch after consultation with the chief of the Supreme Court and the Prosecutor General. The periodic transfer and rotation of judges will be in accordance with general regulations to be laid down by law.

#### **Article 165**

Trials are to be held openly and members of the public may attend without any restriction; unless the court determines that an open trial would be detrimental to public morality or discipline, or if in case of private disputes, both the parties request not to hold open hearing.

#### **Article 166**

The verdicts of courts must be well reasoned out and documented with reference to the articles and principles of the law in accordance with which they are delivered.

#### **Article 167**

The judge is bound to endeavour to judge each case on the basis of the codified law. In case of the absence of any such law, he has to deliver his judgment on the basis of authoritative Islamic sources and authentic fatwa. He, on the pretext of the silence of or deficiency of law in the matter, or its brevity or contradictory nature, cannot refrain from admitting and examining cases and delivering his judgment.

#### **Article 168**

Political and press offenses will be tried openly and in the presence of a jury, in courts of justice. The manner of the selection of the jury, its powers, and the definition of political offenses, will be determined by law in accordance with the Islamic criteria.

#### **Article 169**

No act or omission may be regarded as a crime with retrospective effect on the basis of a law framed subsequently.

#### **Article 170**

Judges of courts are obliged to refrain from executing statutes and regulations of the government that are in conflict with the laws or the norms of Islam, or lie outside the competence of, the executive power. Everyone has the right to demand the annulment of any such regulation from the Court of Administrative Justice.

**Article 171**

Whenever an individual suffers moral or material loss as the result of a default or error of the judge with respect to the subject matter of a case or the verdict delivered, or the application of a rule in a particular case, the defaulting judge must stand surety for the reparation of that loss in accordance with the Islamic criteria, if it be a case of default. Otherwise, losses will be compensated for by the State. In all such cases, the repute and good standing of the accused will be restored.

**Article 172**

Military courts will be established by law to investigate crimes committed in connection with military or security duties by members of the Army, the Gendarmerie, the police, and the Islamic Revolution Guards Corps. They will be tried in public courts, however, for common crimes or crimes committed while serving the department of justice in executive capacity. The office of military prosecutor and the military courts form part of the judiciary and are subject to the same principles that regulate the judiciary.

**Article 173**

In order to investigate the complaints, grievances, and objections of the people with respect to government officials, organs, and statutes, a court will be established to be known as the Court of Administrative Justice under the supervision of the head of the judiciary branch. The jurisdiction, powers, and mode of operation of this court will be laid down by law.

**Article 174**

In accordance with the right of the judiciary to supervise the proper conducting of affairs and the correct implementation of laws by the administrative organs of the government, an organisation I will be constituted under the supervision of the head of the judiciary branch to be known as the National General Inspectorate. The powers and duties of this organisation will be determined by law. - See more at:

[http://www.iranchamber.com/government/laws/constitution\\_ch11.php#sthash.rkZVuAzm.dpuf](http://www.iranchamber.com/government/laws/constitution_ch11.php#sthash.rkZVuAzm.dpuf)

**Chapter XII****Radio and Television****Article 175**

The freedom of expression and dissemination of thoughts in the Radio and Television of the Islamic Republic of Iran must be guaranteed in keeping with the Islamic' criteria and the best interests of the country. The appointment and dismissal of the head of the Radio and Television of the Islamic Republic of Iran rests with the Leader. A council consisting of two representatives each of the President, the head of the judiciary branch and the Islamic Consultative Assembly shall supervise the functioning of this organisation.

**Chapter XIII****Supreme Council for National Security****Article 176**



In order to safeguarding the national interests and preserving the Islamic Revolution, the territorial integrity and national sovereignty, a Supreme Council for National Security presided over by the President shall be constituted to fulfil the following responsibilities:

1. Determining the defence and national security policies within the framework of general policies determined by the Leader.
2. Coordination of activities in the areas relating to politics, intelligence, social, cultural and economic fields in regard to general defence and security policies.
3. Exploitation of materialistic and intellectual resources of the country for facing the internal and external threats.

The Council shall consist of: heads of three branches of the government, chief of the Supreme Command Council of the Armed Forces, the officer in charge of the planning and budget affairs, two representatives nominated by the Leader, ministers of foreign affairs, interior, and information, a minister related with the subject, and the highest ranking officials from the Armed Forces and the Islamic Revolution's Guards Corps.

Commensurate with its duties, the Supreme Council for National Security shall form sub-councils such as Defence Sub-council and National Security Sub-council. Each Sub-council will be presided over by the President or a member of the Supreme Council for National Security appointed by the President. The scope of authority and responsibility of the Sub-councils will be determined by law and their organisational structure will be approved by the Supreme Council for National Defence. The decisions of the Supreme Council for National Security shall be effective after the confirmation by the Leader. - See more at:

[http://www.iranchamber.com/government/laws/constitution\\_ch12.php#sthash.7oyf1z21.dpuf](http://www.iranchamber.com/government/laws/constitution_ch12.php#sthash.7oyf1z21.dpuf)

## **Chapter XIV**

### Revision of the Constitution

#### **Article 177**

Revision of the Constitution of the Islamic Republic of Iran, whenever needed by the circumstances, will be done in the following manner:

The Leader issues an edict to the President after consultation with the Nation's Exigency Council stipulating the amendments or additions to be made by the Council for Revision of the Constitution which consists of:

1. Members of the Guardian Council.
2. Heads of the three branches of the government.
3. Permanent members of the Nation's Exigency Council.
4. Five members from among the Assembly of Experts.
5. Ten representatives selected by the Leader.
6. Three representatives from the Council of Ministers.
7. Three representatives from the judiciary branch.
8. Ten representatives from among the members of the Islamic Consultative Assembly.
9. Three representatives from among the university professors.

The method of working, manner of selection and the terms and conditions of the Council shall be determined by law. The decisions of the Council, after the confirmation and signatures of the Leader, shall be valid if approved by an absolute majority vote in a national referendum. The provisions of Article 59 of the Constitution shall not apply to the referendum for the, "Revision of the Constitution." The contents of the Articles of the Constitution related to the Islamic character of the political system; the basis of all the rules and regulations according to Islamic criteria; the religious footing; the objectives of the Islamic Republic of Iran; the democratic character of the government; the wilayat al-'mr the Imamate of Ummah; and the administration of the affairs of the country based on national referenda, official religion of Iran [Islam] and the school [Twelver Ja'fari] are unalterable. - See more at:

[http://www.iranchamber.com/government/laws/constitution\\_ch13.php#sthash.8mYdIgnD.dpuf](http://www.iranchamber.com/government/laws/constitution_ch13.php#sthash.8mYdIgnD.dpuf)

## Appendix B:

### *Basic Law of Saudi Arabia* (English Translation from Arabic)

Source: [http://www.saudiembassy.net/about/country-information/laws/The\\_Basic\\_Law\\_Of\\_Governance.aspx](http://www.saudiembassy.net/about/country-information/laws/The_Basic_Law_Of_Governance.aspx) (Last Retrieved: April 4, 2014)

#### **The Basic Law of Governance**

The Custodian of the Two Holy Mosques, King Fahd Bin Abdulaziz Al-Saud issued a Royal Decree embodying the Basic Law of Governance. The following is the text of the Decree.

*In the name of God, the most Compassionate, the most Merciful.*

No: A/90

Dated 27th Sha'ban 1412 H (1 March 1992)

With the help of God, we, Fahd Bin Abdulaziz Al-Saud, Monarch of the Kingdom of Saudi Arabia, having taken into consideration the public interest, and in view of the progress of the State in various fields and out of the desire to achieve the objectives we are pursuing, have decreed the following:

- That the promulgation of the Basic Law of Governance is as the attached text.
- That all regulations, orders and decrees in force shall remain valid when this Basic Law comes into force, until they are amended to conform with it.
- That this decree shall be published in the Official Gazette, and shall come into force on the date of its publication.

### **CHAPTER ONE** **GENERAL PRINCIPLES**

#### **Article 1:**

The Kingdom of Saudi Arabia is a sovereign Arab Islamic State. Its religion is Islam. Its constitution is Almighty God's Book, The Holy Qur'an, and the Sunna (Traditions) of the Prophet (PBUH). Arabic is the language of the Kingdom. The City of Riyadh is the capital.

#### **Article 2:**

The State public holidays are Eid Al Fitr (the Feast of Ramadan) and Eid Al Adha (The Feast of the Sacrifice). Its calendar follows the Hijri year (the lunar year).

**Article 3:**

The flag of the State is as follows:

- (a) Its colour is green
- (b) Its width equals two thirds of its length

The words: "There is no god but God and Mohammed is His Messenger" are inscribed in the centre, with a drawn sword underneath. The flag should never be inverted. The Law will specify the rules pertaining to the flag.

**Article 4:**

The State's Emblem represents two crossed swords with a palm tree in the middle of the upper space between them. The Law will define the State's Anthem and medals

## **CHAPTER TWO THE LAW OF GOVERNANCE**

**Article 5:**

- Monarchy is the system of rule in the Kingdom of Saudi Arabia
- Rulers of the country shall be from amongst the sons of the founder King Abdulaziz bin Abdulrahman Al-Faisal Al-Saud, and their descendants.
- The most upright among them shall receive allegiance according to Almighty God's Book and His Messenger's Sunna (Traditions).
- The Crown Prince shall devote himself exclusively to his duties as Crown Prince and shall perform any other duties delegated to him by the King.
- Upon the death of the King, the Crown Prince shall assume the Royal powers until a pledge of allegiance (bay'a) is given.

**Article 6:**

In support of the Book of God and the Sunna of His Messenger (PBUH), citizens shall give the pledge of allegiance (bay'a) to the King, professing loyalty in times of hardship and ease.

**Article 7:**

Government in the Kingdom of Saudi Arabia derives its authority from the Book of God and the Sunna of the Prophet (PBUH), which are the ultimate sources of reference for this Law and the other laws of the State.

**Article 8:**

Governance in the Kingdom of Saudi Arabia is based on justice, shura (consultation) and equality according to Islamic Sharia.

### **CHAPTER THREE THE VALUES OF SAUDI SOCIETY**

**Article 9:**

The family is the nucleus of Saudi Society. Members of the family shall be raised in the Islamic Creed, which demands allegiance and obedience to God, to His Prophet and to the rulers, respect for and obedience to the laws, and love for and pride in the homeland and its glorious history.

**Article 10:**

The State shall aspire to promote family bonds and Arab-Islamic values. It shall take care of all individuals and provide the right conditions for the growth of their talents and skills.

**Article 11:**

Saudi society is based on full adherence to God's guidance. Members of this society shall cooperate amongst themselves in charity, piety and cohesion.

**Article 12:**

Consolidation of the national unity is a duty. The State shall forbid all activities that may lead to division, disorder and partition.

**Article 13:**

The aim of education is to implant the Islamic Creed in the hearts of all youths, to help them acquire knowledge and skills, to qualify them to become useful members of their society, to love their homeland and take pride in its history.

### **CHAPTER FOUR ECONOMIC PRINCIPLES**

**Article 14:**

All natural resources that God has deposited underground, above ground, in territorial waters or within the land and sea domains under the authority of the State, together with revenues of these resources, shall be the property of the State, as provided by the Law.

The Law shall specify means for exploitation, protection and development of these resources in the best interest of the State, and its security and economy.

**Article 15:**

No concessions or licenses to exploit any public resources of the country shall be granted unless authorized by provisions of the Law.

**Article 16:**

Public funds are inviolable. They shall be protected by the State and safeguarded by all citizens and residents.

**Article 17:**

Ownership, capital and labour are basic components of the economic and social entity of the Kingdom. They are personal rights which perform a social function in accordance with the Islamic Sharia.

**Article 18:**

The State shall guarantee private ownership and its sanctity. No-one shall be deprived of his private property, unless in service of the public interest. In this case, a fair compensation shall be given to him.

**Article 19:**

General confiscation of assets is prohibited. No confiscation of an individual's assets shall be enforced without a judicial ruling.

**Article 20:**

No taxes or fees shall be imposed, except in need and on a just basis. Imposition, amendment, cancellation or exemption shall take place according to the provisions of the Law.

**Article 21:**

Zakat shall be collected and spent for legitimate expenses.

**Article 22:**

Economic and social development shall be carried out according to a fair, wise plan.

## **CHAPTER FIVE RIGHTS AND DUTIES**

**Article 23:**

The State shall protect the Islamic Creed, apply the Sharia, encourage good and discourage evil, and undertake its duty regarding the Propagation of Islam (Da'wa).

**Article 24:**

The State shall develop and maintain the Two Holy Mosques. It shall provide care and security to pilgrims to help them perform their Hajj and Umra and visit to the Prophet's Mosque in ease and comfort.

**Article 25:**

The State shall nourish the aspirations of Arab and Muslim nations in solidarity and harmony and strengthen relations with friendly states.

**Article 26:**

The State shall protect human rights in accordance with the Sharia.

**Article 27:**

The State shall guarantee the rights of the citizens and their families in cases of emergency, illness, disability and old age. The State shall support the Social Insurance Law and encourage organisations and individuals to participate in philanthropic activities.

**Article 28:**

The State shall facilitate job opportunities for every able person, and enact laws to protect the worker and the employer.

**Article 29:**

The State shall patronize sciences, letters and culture. It shall encourage scientific research, protect the Islamic and Arab heritage, and contribute towards Arab, Islamic and human civilization.

**Article 30:**

The State shall provide public education and commit itself to the eradication of illiteracy.

**Article 31:**

The State shall look after public health and provide health care for every citizen.

**Article 32:**

The State shall work towards the preservation, protection and improvement of the environment, as well as prevent pollution.

**Article 33:**

The State shall form armed forces and equip them to defend the Islamic Creed, the Two Holy Mosques, the society and the homeland.

**Article 34:**

It shall be the duty of every citizen to defend the Islamic Creed, the society and homeland. The Law shall specify rules for military service.

**Article 35:**

The Law shall specify rules pertaining to Saudi Arabian nationality.

**Article 36:**

The State shall provide security for all citizens and residents on its territories. No-one may be confined, arrested or imprisoned without reference to the Law.



**Article 37:**

Dwellings are inviolate. Access is prohibited without their owners' permission. No search may be made except in cases specified by the Law.

**Article 38:**

No-one shall be punished for another's crimes. No conviction or penalty shall be inflicted without reference to the Sharia or the provisions of the Law. Punishment shall not be imposed ex post facto.

**Article 39:**

Mass media and all other vehicles of expression shall employ civil and polite language, contribute towards the education of the nation and strengthen unity. It is prohibited to commit acts leading to disorder and division, affecting the security of the state and its public relations, or undermining human dignity and rights. Details shall be specified in the Law.

**Article 40:**

The privacy of telegraphic and postal communications, and telephone and other means of communication, shall be inviolate. There shall be no confiscation, delay, surveillance or eavesdropping, except in cases provided by the Law.

**Article 41:**

Residents in the Kingdom of Saudi Arabia shall abide by its laws, observe the values of the Saudi community and respect Saudi traditions and feelings.

**Article 42:**

The State shall grant the right of political asylum provided it is in the public interest. International agreements and laws shall define rules and procedures for the extradition of common criminals.

**Article 43:**

Councils held by the King and the Crown Prince shall be open for all citizens and anyone else who may have a complaint or a grievance. A citizen shall be entitled to address public authorities and discuss any matters of concern to him.

## **CHAPTER SIX**

### **THE AUTHORITIES OF THE STATE**

**Article 44:**

The Authorities of the State consist of:

- The Judicial Authority
- The Executive Authority
- The Regulatory Authority

These Authorities will cooperate in the performance of their functions, according to this Law or other laws. The King is the ultimate arbiter for these Authorities.

**Article 45:**

The Holy Qur'an and the Sunna (Traditions) of God's Messenger shall be the source for fatwas (religious advisory rulings). The Law shall specify hierarchical organisation for the composition of the Council of the Senior Ulema, the Research Administration, and the Office of the Mufti, together with their functions.

**Article 46:**

The Judiciary is an independent authority. The decisions of judges shall not be subject to any authority other than the authority of the Islamic Sharia.

**Article 47:**

All people, either citizens or residents in the Kingdom, are entitled to file suit on an equal basis. The Law shall specify procedures for this purpose.

**Article 48:**

The Courts shall apply rules of the Islamic Sharia in cases that are brought before them, according to the Holy Qur'an and the Sunna, and according to laws which are decreed by the ruler in agreement with the Holy Qur'an and the Sunna.

**Article 49:**

Courts are empowered to arbitrate in all disputes and crimes, taking into account the provisions of Article 53 of this Law.

**Article 50:**

The King or whomsoever he may deputize shall concern himself with the implementation of judicial rulings.

**Article 51:**

The Law shall specify the composition of the Supreme Judiciary Council and its functions, as well as the hierarchy for the courts and their functions.

**Article 52:**

Judges shall be appointed and relieved by Royal Decree, based on a proposal of the Supreme Judiciary Council, in accordance with provisions of the Law.

**Article 53:**

The Law shall specify the hierarchy of the Board of Grievances and its functions.

**Article 54:**

The Law shall specify the relationship between the Commission of Inquiry and the Attorney-General and their organisation and functions.

**Article 55:**

The King shall rule the nation according to the Sharia. He shall also supervise the implementation of the Sharia, the general policy of the State, and the defence and protection of the country.

**Article 56:**

The King is the Prime Minister. Members of the Council of Ministers shall assist him in the performance of his mission according to the provisions of this Law and other laws. The Council of Ministers Law shall specify the powers of the Council in respect of internal and external affairs, organisation of governmental departments and their coordination. In additions, the Law shall specify the qualifications and the powers of the ministers, ministerial accountability procedures and all matters pertaining to the ministers. The Law of the Council of Ministers and the areas of their authority may be amended according to this Law.

**Article 57:**

- The King shall appoint and relieve deputies of the Prime Minister and member minister of the Council by Royal Decree.
- Deputies of the Prime Minister and member ministers of the Council shall be jointly responsible to the King for the implementation of the Sharia, laws and the general policy of the State.
- The King is entitled to dissolve and reconstitute the Council of Ministers.

**Article 58:**

The King shall appoint those who are at the rank of ministers and deputy ministers, and those who are at the highest grade and relieve them by a Royal Decree as provided by the Law. Ministers and heads of independent departments shall be answerable to the King in respect of the ministries and agencies they head.

**Article 59:**

The Law shall specify the rules of the Civil Service, including salaries, awards, compensations, privileges, and pensions.

**Article 60:**

The King is the Supreme Commander of the Armed Forces. He shall appoint and dismiss officers form service, as provided by terms of the Law.

**Article 61:**

The King shall announce any state of emergency or general mobilization and shall declare war. The Law shall specify rules for this purpose.

**Article 62:**

If an imminent danger is threatening the safety of the Kingdom, the integrity of its territories or the security and interests of its people, or is impeding the functions of official organisations, the

King may take urgent measures to deal with such a danger. When he considers that these measures should continue, necessary arrangements shall be made in accordance with the Law.

**Article 63:**

The King shall receive kings and heads of state, appoint his representatives to other states, and receive credentials of other states' representatives accredited to him.

**Article 64:**

The King shall award medals according to provisions of the Law.

**Article 65:**

The King may delegate some powers of authority to the Crown Prince by Royal Decree.

**Article 66:**

Should the King happen to travel abroad, he shall issue a Royal Decree to deputize the Crown Prince to manage the affairs of state and look after the interests of the people, as set out in the Royal Decree.

**Article 67:**

The Regulatory Authority shall be concerned with the making of laws and regulations which will safeguard all interests, and remove evil from the State's affairs, according to Sharia. Its powers shall be exercised according to provisions of this Law and the Law of the Council of Ministers and the Law of the Shura Council.

**Article 68:**

The Shura Council shall be established. Its Law shall specify the details of its formation, powers and selection of members. The King may dissolve and reconstitute Majlis Ash-Shura.

**Article 69:**

The King may summon Majlis Ash-Shura and the Council of Ministers for a joint session. He may summon others whom he deems necessary to attend the meeting and discuss whatever affairs he considers fit.

**Article 70:**

Laws, international agreements, treaties and concessions shall be approved and amended by Royal Decrees.

**Article 71:**

Laws shall be published in the Official Gazette, and implemented effective from the date of publication, unless another date is specified.

## CHAPTER SEVEN FINANCIAL AFFAIRS

**Article 72:**

- The Law shall include provisions for the State's revenues and their depositing with the General Treasury of the State
- Revenues shall be recorded and spent according to procedures stipulated by provisions of the Law.

**Article 73:**

No commitment to pay a sum of money from the General Treasury shall be made without adherence to budget rules. If provisions of the budget cannot cover the demand, then a provision shall be made through a Royal Decree.

**Article 74:**

Assets of the State may not be sold, rented or disposed of unless so authorized by the Law.

**Article 75:**

Laws shall specify provisions for currency, banks, standards, measures and weights.

**Article 76:**

The Law shall set the fiscal year for the State. The budget shall be announced according to a Royal Decree. It shall specify assessed amounts of revenue and expenditure one month ahead of the coming fiscal year. If the budget cannot be issued due to compelling reasons before the beginning of the new fiscal year, the budget of the previous year shall remain in force until the new budget can be issued.

**Article 77:**

The competent department shall prepare the closing account of the State for the past year and forward it to the Prime Minister.

**Article 78:**

Budgets and closing accounts of departments which have corporate rights, shall be subject to the same procedures which are applicable to the State's budget and closing accounts

## **CHAPTER EIGHT**

### **INSTITUTIONS OF AUDIT**

**Article 79:**

All revenues and expenditures of the State, as well as movable and fixed assets, shall be subsequently audited to ensure proper use and management. An annual report to this effect shall be forwarded to the Prime Minister. The Law shall specify details of the competent auditing institution, together with its affiliations and areas of authority.

**Article 80:**

Governmental institutions shall also be audited to ensure proper administrative performance and

implementation of laws. Financial and administrative violations shall be investigated. An annual report shall be forwarded to the Prime Minister. The Law shall specify details of the competent institution in charge, together with its affiliations and areas of authority.

## **CHAPTER NINE GENERAL PRINCIPLES**

### **Article 81:**

With regard to treaties and agreements, the application of this Law shall not violate commitments of the Kingdom of Saudi Arabia towards other states, international organisations and bodies.

### **Article 82:**

No provision of this Law whatsoever may be suspended except on a temporary basis, such as in wartime or during the declaration of a state of emergency. Such a suspension shall be in accordance with the terms of the Law and may not violate Article 7.

### **Article 83:**

No amendment to this Law shall be made, except in the same manner as it was promulgated.

## Appendix C:

### *Constitution of the United Arab Emirates (English Translation from Arabic)*

Sources: [www.worldstatesmen.org/uae\\_const.doc](http://www.worldstatesmen.org/uae_const.doc) (Last Retrieved: April 10, 2014), [https://www.constituteproject.org/constitution/United\\_Arab\\_Emirates\\_2004.pdf](https://www.constituteproject.org/constitution/United_Arab_Emirates_2004.pdf) (Last Retrieved: April 10, 2014), and <http://www.almajles.gov.ae:85/Uploads/Files/2011/06/20/15206.pdf> (Last Retrieved: April 10, 2014)

**Note:** The latter link provided by [www.almajles.gov.ae](http://www.almajles.gov.ae) did not contain any constitutional article beyond Article 125.

#### **Constitution of the United Arab Emirates**

The Federal National Council (FNC) and the Federal Supreme Council (FSC) amended the 2 December 1971 interim constitution of the United Arab Emirates, drafted with the establishment of the federation, to make it permanent in 1996.

We, the Rulers of the Emirates of Abu Dhabi, Dubai, Sharjah, Ajman, Umm Al Quwain and Fujairah (1):

Whereas it is our desire and the desire of the people of our Emirates to establish a Union between these Emirates, to promote a better life, more enduring stability and a higher international status for the Emirates and their people;

Desiring to create closer links between the Arab Emirates in the form of an independent, sovereign, federal state, capable of protecting its existence and the existence of its members, in co-operation with the sister Arab states and with all other friendly states which are members of the United Nations Organisation and of the family of nations in general, on a basis of mutual respect and reciprocal interests and benefits,

Desiring also to lay the foundation for federal rule in the coming years on a sound basis, corresponding to the realities and the capacities of the Emirates at the present time, enabling the Union, so far as possible, freely to achieve its goals, sustaining the identity of its members providing that this is not inconsistent with those goals and preparing the people of the Union at the same time for a dignified and free constitutional life, and progressing by steps towards a comprehensive, representative, democratic regime in an Islamic and Arab society free from fear and anxiety;

And whereas the realisation of the foregoing was our dearest desire, towards which we have bent our strongest resolution, being desirous of advancing our country and our people to the status of qualifying them to take appropriate place among civilised states and nations;

1 - Ras Al Khaimah joined the Union on the 10th of February 1972.

For all these reasons and until the preparation of the permanent Constitution for the Union may be completed, we proclaim before the Supreme and Omnipotent Creator, and before all the peoples, our agreement to this provisional Constitution, to which our signatures were appended, which shall be implemented during the transitional period indicated in it ;



May Allah, our Protector and Defender, grant us success  
Constitutional Amendment No. (1) of 1996

The federation supreme council, after perusing the Federation Temporary Constitution and the approval of the Cabinet, and Based on what was considered by the Federation Supreme Council and approved by the Cabinet and the Federal National Council and certified by the Federation Supreme Council, Resolved:

#### **Article 1**

The word “Temporary” is cancelled from the United Arab Emirates Constitution wherever it is.

#### **Article 2**

Abu Dhabi City is the Capital of the Federation.

#### **Article 3**

Any text or provision contrary to this amendment is cancelled.

#### **Article 4**

This constitutional amendment shall be applicable as of the date of issuance thereof and be published in the official gazette.

Zayed Bin Sultan Al-Nahyan President of United Arab Emirates Issued by us at the presidential palace in Abu Dhabi, On: 22 Rajab 1417 Hijri Corresponding to: 2 Dec. 1996

#### **Article 5**

The Union shall have a Flag, an Emblem and a National Anthem. The Flag and the Emblem shall be prescribed by Law. Each Emirate shall retain its own flag for use within its territories.

#### **Article 6**

The Union is a part of the Great Arab Nation, to which it is bound by the ties of religion, language, history and common destiny. The people of the Union are one people, and one part of the Arab Nation.

#### **Article 7**

Islam is the official religion of the Union. The Islamic Sharia shall be a main source of legislation in the Union. The official language of the Union is Arabic.

#### **Article 8**

The citizens of the Union shall have a single nationality which shall be prescribed by law. When abroad, they shall enjoy the protection of the Union Government in accordance with accepted international principals. No citizen of the Union may be deprived of his nationality nor may his nationality be withdrawn save in exceptional circumstances which shall be defined by Law.

#### **Article 9**

1. The Capital of the Union shall be established in an area allotted to the Union by the Emirates of Abu Dhabi and Dubai on the borders between them and it shall be given the name "Al Karama".

2. There shall be allocated in the Union budget for the first year the amount necessary to cover the expenses of technical studies and planning for the construction of the Capital. However, construction work shall begin as soon as possible and shall be completed in not more than seven years from the date of entry into force of this Constitution.
3. Until the construction of the Union Capital is complete, Abu Dhabi shall be the provisional headquarters of the Union.

#### **Article 10**

The aims of the Union shall be the maintenance of its independence and sovereignty. The safeguard of its security and stability. The defence against any aggression upon its existence or the existence of its member states. The protection of the rights and liabilities of the people of the Union. The achievement of close co-operation between the Emirates for their common benefit in realizing these aims and in promoting their prosperity and progress in all fields. The provision of a better life for all citizens together with respect by each Emirate for the independence and sovereignty of the other Emirates in their internal affairs within the framework of this Constitution.

#### **Article 11**

1. The Emirates of the Union shall form an economic and customs entity. Union Laws shall regulate the progressive stages appropriate to the achievement of this entity.
2. The free movement of all capital and goods between the Emirates of the Union is guaranteed and may not be restricted except by a Union Law.
3. All taxes, fees, duties and tolls imposed on the movement of goods from one member Emirate to the other shall be abolished.

#### **Article 12**

The foreign policy of the Union shall be directed towards support for Arab and Islamic causes and interests and towards the consolidation of the bonds of friendship and co-operation with all nations and peoples on the basis of the principles of the charter of the United Nations and ideal international standards.

### **PART TWO: THE FUNDAMENTAL SOCIAL AND ECONOMIC BASIS OF THE UNION**

#### **Article 13**

The Union and the member Emirates shall co-operate, within the limits of their jurisdiction and abilities, in executing the provisions of this Part.

#### **Article 14**

Equality, social justice, ensuring safety and security and equality of opportunity for all citizens shall be the pillars of the Society. Co-operation and mutual mercy shall be a firm bond between them.

#### **Article 15**

The family is the basis of society. It is founded on morality, religion, ethics and patriotism. The law shall guarantee its existence, safeguard and protect it from corruption.

**Article 16**

Society shall be responsible for protecting childhood and motherhood and shall protect minors and others unable to look after themselves for any reason, such as illness or incapacity or old age or forced unemployment. It shall be responsible for assisting them and enabling them to help themselves for their own benefit and that of the community.

Such matters shall be regulated by welfare and social security legislations.

**Article 17**

Education shall be a fundamental factor for the progress of society. It shall be compulsory in its primary stage and free of charge at all stages, within the Union. The law shall prescribe the necessary plans for the propagation and spread of education at various levels and for the eradication of illiteracy.

**Article 18**

Private schools may be established by individuals and organisations in accordance with the provisions of the law, provided that such schools shall be subject to the supervision of the competent public authorities and to their directives.

**Article 19**

Medical care and means of prevention and treatment of diseases and epidemics shall be ensured by the community for all citizens.

The community shall promote the establishment of public and private hospitals, dispensaries and cure - houses.

**Article 20**

Society shall esteem work as a cornerstone of its development. It shall endeavour to ensure that employment is available for citizens and to train them so that they are prepared for it. It shall furnish the appropriate facilities for that by providing legislations protecting the rights of the employees and the interests of the employers in the light of developing international labour legislations.

**Article 21**

Private property shall be protected. Conditions relating thereto shall be laid down by Law. No one shall be deprived of his private property except in circumstances dictated by the public benefit in accordance with the provisions of the Law and on payment of a just compensation.

**Article 22**

Public property shall be inviolable. The protection of public property shall be the duty of every citizen. The Law shall define the cases in which penalties shall be imposed for the contravention of that duty.

**Article 23**

The natural resources and wealth in each Emirate shall be considered to be the public property of that Emirate. Society shall be responsible for the protection and proper exploitation of such natural resources and wealth for the benefit of the national economy.

**Article 24**

The basis of the national economy shall be social justice. It is founded on sincere co-operation between public and private activities. Its aim shall be the achievement of economic development, increase of productivity, raising the standards of living and the achievement of prosperity for citizens, all within the limits of Law.

**PART THREE: FREEDOM, RIGHTS AND PUBLIC DUTIES****Article 25**

All persons are equal before the law, without distinction between citizens of the Union in regard to race, nationality, religious belief or social status.

**Article 26**

Personal liberty is guaranteed to all citizens. No person may be arrested, searched, detained or imprisoned except in accordance with the provisions of law.

No person shall be subjected to torture or to degrading treatment.

**Article 27**

Crimes and punishments shall be defined by the law. No penalty shall be imposed for any act of commission or omission committed before the relevant law has been promulgated.

**Article 28**

Penalty is personal. An accused shall be presumed innocent until proved guilty in a legal and fair trial. The accused shall have the right to appoint the person who is capable to conduct his defence during the trial. The law shall prescribe the cases in which the presence of a counsel for defence shall be assigned. Physical and moral abuse of an accused person is prohibited.

**Article 29**

Freedom of movement and residence shall be guaranteed to citizens within the limits of law.

**Article 30**

Freedom of opinion and expressing it verbally, in writing or by other means of expression shall be guaranteed within the limits of law.

**Article 31**

Freedom of communication by post, telegraph or other means of communication and the secrecy thereof shall be guaranteed in accordance with law.

**Article 32**

Freedom to exercise religious worship shall be guaranteed in accordance with established customs, provided that it does not conflict with public policy or violate public morals.

**Article 33**

Freedom of assembly and establishing associations shall be guaranteed within the limits of law.

**Article 34**

Every citizen shall be free to choose his occupation, trade or profession within the limits of law. Due consideration being given to regulations organising some of such professions and trades. No person may be subjected to forced labour except in exceptional circumstances provided for by the law and in return for compensation. No person may be enslaved.

**Article 35**

Public service shall be open to all citizens on a basis of equality of circumstances between them, in accordance with the provisions of the law. Public service shall be a national service entrusted to those undertaking it. The public servant shall aim, in the execution of his duties, at the public interest alone.

**Article 36**

Homes shall be inviolable. They may not be entered without permission from their inhabitants except in accordance with the provisions of the law, and in circumstances laid down therein.

**Article 37**

Citizens may not be deported or banished from the Union.

**Article 38**

The extradition of citizens and of political refugees shall be prohibited.

**Article 39**

The general confiscation of possessions shall be prohibited. Confiscation of an individual's possessions as a punishment may be executed only on the basis of a legal ruling, and in circumstances provided for in the law.

**Article 40**

Foreigners shall enjoy, within the Union, the rights and freedoms stipulated in international charters which are in force, or in treaties and agreements to which the Union is party. They shall be subject to the equivalent obligations.

**Article 41**

Every person shall have the right to submit complaints to the competent authorities, including the judicial authorities, concerning the abuse or infringement of the rights and freedom stipulated in this Part.

**Article 42**

Payment of taxes and public charges determined by law is a duty of every citizen.

**Article 43**

Defence of the Union is a sacred duty of every citizen and military service is an honour for citizens which shall be regulated by law.

**Article 44**

Respect of the Constitution, laws and orders issued by public authorities in execution thereof,

observance of public order and respect of public morality are duties incumbent upon all inhabitants of the Union.

## **PART FOUR: THE UNION AUTHORITIES**

### **Article 45**

The Union authorities shall consist of :-

1. The Supreme Council of the Union.
2. The President of the Union and his Deputy.
3. The Council of Ministers of the Union.
4. The National Assembly of the Union.
5. The Judiciary of the Union.

## **CHAPTER 1**

### **THE SUPREME COUNCIL OF THE UNION**

### **Article 46**

The Supreme Council of the Union shall be the highest authority in the Union. It shall consist of the Rulers of all the Emirates composing the Union, or of those who deputies for the Rulers in their Emirates in the event of their absence or if they have been excused from attending. Each Emirate shall have a single vote in the deliberations of the Council.

### **Article 47**

The Supreme Council of the Union shall exercise the following matters :-

1. Formulation of general policy in all matters invested in the Union by this Constitution and consideration of all matters which leads to the achievement of the goals of the Union and the common interest of the member Emirates.
2. Sanction of various Union laws before their promulgation, including the Laws of the Annual General Budget and the Final Accounts.
3. Sanction of decrees relating to matters which by virtue of the provisions of this Constitution are subject to the ratification or agreement of the Supreme Council. Such sanction shall take place before the promulgation of these decrees by the President of the Union.
4. Ratification of treaties and international agreements. Such ratification shall be accomplished by decree.
5. Approval of the appointment of the Chairman of the Council of Ministers of the Union, acceptance of his resignation and his removal from office upon a proposal from the President of the Union.
6. Approval of the appointment of the President and Judges of the Supreme Court of the Union, acceptance of their resignations and their dismissal in the circumstances stipulated by this Constitution. Such acts shall be accomplished by decrees.
7. Supreme Control over the affairs of the Union in general.
8. Any other relevant matters stipulated in this Constitution or in the Union laws.

### **Article 48**

1. The Supreme Council shall lay down its own bye-laws which shall include its procedure for

the conduct of business and the procedure for voting on its decisions. The deliberations of the Council shall be secret.

2. The Supreme Council shall establish a general Secretariat which shall consist of an adequate number of officials to assist it in the execution of its duties.

#### **Article 49**

Decisions of the Supreme Council on substantive matters shall be by a majority of five of its members provided that this majority includes the votes of the Emirates of Abu Dhabi and Dubai. The minority shall be bound by the view of the said majority.

But, decisions of the Council on procedural matters shall be by a majority vote. Such matters shall be defined in the bye-laws of the Council.

#### **Article 50**

Sessions of the Supreme Council shall be held in the Union capital. Sessions may be held in any other place agreed upon beforehand.

### **Chapter 2**

#### **THE PRESIDENT OF THE UNION AND HIS DEPUTY**

#### **Article 51**

The Supreme Council of the Union shall elect from among its members a President and a Vice President of the Union. The Vice President of the Union shall exercise all the powers of the President in the event of his absence for any reason.

#### **Article 52**

The term of office of the President and the Vice President shall be five Gregorian years. They are eligible for re-election to the same offices.

Each of them shall, on assuming office, take the following oath before the Supreme Council  
" I swear by Almighty God that I will be faithful to the United Arab Emirates; that I will respect its Constitution and its laws; that I will protect the interests of the people of the Union; that I will discharge my duties faithfully and loyally and that I will safeguard the independence of the Union and its territorial integrity."

#### **Article 53**

Upon vacancy of the office of the President or his Deputy for death or resignation, or because either one of them ceases to be Ruler in his Emirate for any reason, the Supreme Council shall be called into session within one month of that date to elect a successor to the vacant office for the period stipulated in Article 52 of this Constitution.

In the event that the two offices of the President of the Supreme Council and his Deputy become vacant simultaneously, the Council shall be immediately called into session by any one of its members or by the Chairman of the Council of Ministers of the Union, to elect a new President and Vice President to fill the two vacant offices.

#### **Article 54**

The President of the Union shall assume the following powers:



1. Presiding the Supreme Council and directing its discussions.
2. Presiding the Supreme Council into session, and terminating its sessions according to the rules of procedure upon which the Council shall decide its bye-laws. It is obligatory for him to convene the Council for sessions, whenever one of its members so requested.
3. Calling the Supreme Council and the Council of Ministers into joint session whenever necessity demands.
4. Signing Union laws, decrees and decisions which the Supreme Council has sanctioned and promulgating them.
5. Appointing the Prime Minister, accepting his resignation and relieving him of office with the consent of the Supreme Council. He shall also appoint the Deputy Prime Minister and the Ministers and shall receive their resignations and relieve them of office in accordance with a proposal from the Prime Minister of the Union.
6. Appointing the diplomatic representatives of the Union to foreign states and other senior Union officials both civil and military (with the exception of the President and Judges of the Supreme Court of the Union) and accepting their resignations and dismissing them with the consent of the Council of Ministers of the Union. Such appointments, acceptance of resignations and dismissals shall be accomplished by decrees and in accordance with Union laws.
7. Signing of letters of credence of diplomatic representatives of the Union to foreign states and organisations and accepting the credentials of diplomatic and consular representatives of foreign states to the Union and receiving their letters of credence. He shall similarly sign documents of appointment and credence of representatives.
8. Supervising the implementation of Union laws, decrees and decisions through the Council of Ministers of the Union and the competent Ministers.
9. Representing the Union internally, vis-a-vis other states and in all international relations.
10. Exercising the right of pardon and commutation of sentences and approving capital sentences according to the provisions of this Constitution and Union laws.
11. Conferring decorations and medals of honour, both civil and military, in accordance with the laws relating to such decorations and medals.
12. Any other power vested in him by the Supreme Council or vested in him in conformity with this Constitution or Union laws.
- 17 All rights are reserved for the Federal National Council 2003.

### Chapter III

## THE COUNCIL OF MINISTERS OF THE UNION

### **Article 55**

The Council of Ministers of the Union shall consist of the Prime Minister, his Deputy and a number of Ministers.

### **Article 56**

Ministers shall be chosen from among citizens of the Union known for their competence and experience.

### **Article 57**

The Prime Minister, his Deputy and the Ministers shall, before assuming the responsibilities of

their office. take the following oath before the President of the Union:-

"I swear by Almighty God that I will be loyal to the United Arab Emirates; that I will respect its Constitution and laws; that I will discharge my duties faithfully; that I will completely observe the interests of the people of the Union and that I will completely safeguard the existence of the Union and its territorial integrity."

### **Article 58**

The law shall define the Jurisdiction of the Ministers and the powers of each Minister. The first Council of Ministers of the Union shall be composed of the following Ministers: -

1. Foreign Affairs
2. Interior
3. Defence
4. Finance, Economy and Industry
5. Justice
6. Education
7. Public Health
8. Public Works and Agriculture
9. Communications, Post, Telegraph and Telephones
10. Labour and Social Affairs
11. Information
12. Planning

### **Article 59**

The Prime Minister shall preside over the meetings of the Council of Ministers. He shall call it into session, direct its debates, follow up the activities of Ministers and shall supervise the co-ordination of work between the various Ministries and in all executive organs of the Union.

The Deputy Prime Minister shall exercise all the powers of the Prime Minister in the event of his absence for any reason.

### **Article 60**

The Council of Ministers, in its capacity as the executive authority of the Union, and under the supreme control of the President of the Union and the Supreme Council. shall be responsible for dealing with all domestic and foreign affairs which are within the competence of the Union according to this Constitution and Union laws.

The Council of Ministers shall, in particular, assume the following powers:

1. Following up the implementation of the general policy of the Union Government both domestic and foreign.
2. Initiating drafts of Federal Laws and submitting them to the Union National Council before they are raised to the President of the Union for presentation to the Supreme Council for sanction.
3. Drawing up the annual general budget of the Union, and the final accounts.
4. Preparing drafts of decrees and various decisions.
5. Issuing regulations necessary for the implementation of Union laws without amending or suspending such regulations or making any exemption from their execution. Issuing also police regulations and other regulations relating to the organisation of public services and administrations. within the limits of this Constitution and Union laws. A special provision of the

law or the Council of Ministers, may charge the competent Union Minister or any other administrative authority to promulgate some of such regulations.

6. Supervising the implementation of Union laws, decrees, decisions and regulations by all the concerned authorities in the Union or in the Emirates.

7. Supervising the execution of judgements rendered by Union Law Courts and the implementation of international treaties and agreements concluded by the Union.

8. Appointment and dismissal of Union employees in accordance with the provisions of the law, provided that their appointment and dismissal do not require the issue of a decree.

9. Controlling the conduct of work in departments and public services of the Union and the conduct and discipline of Union employees in general.

10. Any other authority vested in it by law or by the Supreme Council within the limits of this Constitution.

### **Article 61**

Deliberations of the Council of Ministers shall be secret. Its resolutions shall be passed by a majority of its members. In the event that voting is evenly divided, the side on which the Prime Minister has voted shall prevail. The minority shall abide by the opinion of the majority.

### **Article 62**

While in office, the Prime Minister, his Deputy or any Union Minister, may not practice any professional, commercial or financial occupation or enter into any commercial transactions with the Government of the Union or the Governments of the Emirates, or combine with their office the membership of the board of directors of any financial or commercial company. Furthermore, they may not combine with their office more than one official post in any of the Emirates and shall relinquish all other local official posts, if any.

### **Article 63**

The members of the Council of Ministers shall aim to serve in their conduct the interests of the Union, the promotion of public welfare and totally renounce personal benefits. Members of the Council of Ministers must not seek profit from their official positions in any way whatsoever for themselves or for any person closely related to them.

### **Article 64**

The Prime Minister and the Ministers shall be politically responsible collectively before the President of the Union and the Supreme Council of the Union for the execution of the general policy of the Union both domestic and foreign. Each of them shall be personally responsible to the President of the Union and the Supreme Council for the activities of his Ministry or office. The resignation of the Prime Minister, his removal from office, his death, or the vacating of his office for any reason whatsoever shall involve the resignation of the whole Cabinet. The President of the Union may require the Ministers to remain in office temporarily, to carry out immediate administration, until such time as a new Cabinet is formed.

### **Article 65**

At the beginning of every financial year, the Council of Ministers shall submit to the President of the Union for presentation to the Supreme Council, a detailed statement of internal achievements, on the Union's relations with other states and international organisations, together

with the recommendations of the Cabinet on the best and most practical means of strengthening the foundations of the Union, consolidating its security and stability, achieving its goals and progress in all fields.

#### **Article 66**

1. The Council of Ministers shall draw up its own bye-laws including its rules of procedure.
2. The Council of Ministers shall establish a general Secretariat  
Provided with a number of employees to assist it in the conduct of Its business.

#### **Article 67**

The Law shall prescribe the salaries of the Prime Minister, his Deputy and the other Ministers.

### Chapter 4

## THE NATIONAL ASSEMBLY OF THE UNION

### Section 1

#### General Provisions.

#### **Article 68**

The National Assembly of the Union shall be composed of forty (1) members. Seats shall be distributed to member Emirates as follows:

Abu Dhabi 8 seats

Dubai 8 seats

Sharjah 6 seats

Ras Al Khaimah 6 seats

Ajman 4 seats

Umm Al Quwain 4 seats

Fujairah 4 seats

#### **Article 69**

Each Emirate shall be free to determine the method of selection of the citizens representing it in the Union National Assembly.

#### **Article 70**

A member of the Union National Assembly must satisfy the following conditions :-

1. Must be a citizen of one of the Emirates of the Union, and permanently resident in the Emirate he represents in the Assembly.
2. Must be not less than twenty-five Gregorian years of age at the time of his selection.
3. Must enjoy civil status. good conduct, reputation and not previously convicted of a dishonourable offence unless he has been rehabilitated in accordance with the law.
4. Must have adequate knowledge of reading and writing.

#### **Article 71**

Membership of the Union National Assembly shall be incompatible with any public office in the

Union, including Ministerial portfolios.

### **Article 72**

The term of membership in the Union National Assembly shall be two Gregorian years commencing from the date of its first sitting. When this period expires, the Assembly shall be completely renewed for the time remaining until the end of the transitional period as laid down in Article 144 of this Constitution. Any member who has completed his term may be re-elected

### **Article 73**

Before assuming his duties in the Assembly or its Committees, a member of the Union National Assembly shall take the following oath before the Assembly in public session: -

“I swear by Almighty God that I will be loyal to the United Arab Emirates; that I will respect the Constitution and the laws of the Union and that I will discharge my duties in the Assembly and its Committees honestly and truthfully”.

### **Article 74**

If, for any reason, a seat of any member of the Assembly becomes vacant before the end of the term of his membership, a replacement shall be selected within two months of the date on which the vacancy is announced by the Assembly, unless the vacancy occurs during the three months preceding the end of the term of the Assembly.

The new member shall complete the term of membership of his predecessor.

### **Article 75**

Sessions of the Union National Assembly shall be held in the Union capital. Exceptionally, sessions may be held in any other place within the Union on the basis of a decision taken by a majority vote of the members and with the approval of the Council of Ministers.

### **Article 76**

The Assembly shall decide upon the validity of the mandate of its members. It shall also decide upon disqualifying members, if they lose one of the required conditions, by a majority of all its members and on the proposal of five among them. The Assembly shall be competent to accept resignation from membership. The resignation shall be considered as final from the date of its acceptance by the Assembly.

### **Article 77**

A member of the National Assembly of the Union shall represent the whole people of the Union and not merely the Emirate which he represents in the Assembly.

## **Section 2**

### **Organisation of work in the Assembly**

### **Article 78**

The Assembly shall hold an annual ordinary session lasting not less than six months, commencing on the third week of November each year. It may be called into extraordinary session whenever the need arises. The Assembly may not consider at an extraordinary session any matter other than those for which it has been called into session.

Notwithstanding the preceding paragraph, the President of the Union shall summon the Union National Assembly to convene its first ordinary session within a period not exceeding sixty days from the entry into force of this Constitution. This session shall end at the time appointed by the Supreme Council by decree.

#### **Article 79**

The Assembly shall be summoned into session, and its session shall be terminated by decree issued by the President of the Union with the consent of the Council of Ministers of the Union. Any meeting held by the Council without a formal summons, or in a place other than that legally assigned for its meeting in accordance with this Constitution. Shall be invalid and shall have no effect.

Nevertheless, if the Assembly is not called to hold its meeting for its annual ordinary session before the third week of November, the Assembly shall be ipso facto in session on the twenty first of the said month.

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27 All rights are reserved for the Federal National Council 2003.

#### **Article 80**

The President of the Union shall inaugurate the ordinary annual session of the Assembly whereupon he shall deliver a speech reviewing the situation of the country and the important events and affairs which happened during the year and outlining the projects and reforms, the Union Government plans to undertake during the new session. The President of the Union may depute his Vice-President or the Prime Minister to open the session or to deliver the speech. The National Assembly shall select, from among its members, a committee to draft the reply to the Opening Speech, embodying the Assembly's observations and wishes, and shall submit the reply after approval by the Assembly to the President of the Union for submission to the Supreme Council.

#### **Article 81**

Members of the Assembly shall not be censured for any opinions or views expressed in the course of carrying out their duties within the Assembly or its Committees.

#### **Article 82**

Except in cases of "flagrant delicate", no penal proceedings may be taken against any member while the Assembly is in session, without the authorisation of the Assembly. The Assembly must be notified if such proceedings are taken while it is not in session.

#### **Article 83**

The President of the Assembly and its other members shall be entitled, from the date of taking the oath before the Assembly, to a remuneration which shall be determined by law, and to travelling expenses from their place of residence to the place in which the Assembly is meeting.

#### **Article 84**

The Assembly shall have a Bureau consisting of a President, a First and Second Vice President and two controllers. The Assembly shall select them all from among its members. The term of office of the President and the two Vice Presidents shall expire when the term of the Assembly

expires or when it is dissolved in accordance with the provisions of the second paragraph of Article 88. The term of office of the controllers shall expire with the choice of new controllers at the opening of the next ordinary annual session. If any post in the Bureau becomes vacant, the Assembly shall elect who shall fill it for the remaining period.

#### **Article 85**

The Assembly shall have a Secretary-General who shall be assisted by a number of staff who shall be directly responsible to the Assembly. The Assembly's standing orders shall lay down their conditions of service and their powers. The Assembly shall lay down its standing orders, issued by decree promulgated by the President of the Union with the consent of the Council of Ministers. The standing orders shall define the powers of the President of the Assembly, his two Vice Presidents and the Controllers and shall define generally all matters pertaining to the Assembly, its committees, its members, its Secretariat, its employees, its rules and procedures of discussion and voting in the Assembly and the Committees and other matters within the limits of the provisions of this Constitution.

#### **Article 86**

Sessions of the Assembly shall be public. Secret sessions may be held at the request of a representative of the Government, the President of the Assembly or one third of its members.

#### **Article 87**

Deliberations of the Assembly shall not be valid unless a majority of its members at least are present. Resolutions shall be taken by an absolute majority of the votes of members present, except in cases where a special majority has been prescribed. If votes are equally divided, the side which the President of the session supports shall prevail.

#### **Article 88**

Meetings of the Assembly may be adjourned by a decree promulgated by the President of the Union with the approval of the Council of Ministers of the Union for a period not exceeding one month, provided that such adjournment is not repeated in one session except with the approval of the Assembly and for once only. The period of adjournment shall not be deemed part of the term of the ordinary session.

The Assembly may also be dissolved by a decree promulgated by the President of the Union with the approval of the Supreme Council of the Union, provided that the decree of dissolution includes a summons to the new Assembly to come into session within sixty days of the date of the decree of dissolution. The Assembly may not be dissolved again for the same reason.

### **Section 3**

#### **Powers of the National Assembly**

#### **Article 89**

In so far as this does not conflict with the provisions of Article 110, Union Bills, including financial bills, shall be submitted to the National Assembly of the Union before their submission to the President of the Union for presentation to the Supreme Council for ratification.

The National Assembly shall discuss these bills and may pass them, amend or reject them.



**Article 90**

The Assembly shall examine during its ordinary. Session the Annual General Budget draft law of the Union and the draft law of the final accounts, in accordance with the provisions in Chapter Eight of this Constitution.

**Article 91**

The Government shall inform the Union Assembly of international treaties and agreements concluded with other states and the various international organisations, together with appropriate explanations.

**Article 92**

The Union National Assembly may discuss any general subject pertaining to the affairs of the Union unless the Council of Ministers Informs the Union National Assembly that such discussion is contrary to the highest interests of the Union. The Prime Minister or the Minister concerned shall attend the debates. The Union National Assembly may express its recommendations and may define the subjects for debate. If the Council of Ministers does not approve of these recommendations, it shall notify the Union National Assembly of its reasons.

**Article 93**

The Government of the Union shall be represented at sessions of the Union National Assembly by the Prime Minister or his deputy or one member of the Union Cabinet at least. The Prime Minister or his deputy or the competent Minister, shall answer questions put to them by any member of the Assembly requesting explanation of any matters within their jurisdiction, in conformity with the procedures prescribed in the standing orders of the Assembly.

## Chapter 5

## THE JUDICIARY IN THE UNION AND THE EMIRATES

**Article 94**

Justice is the basis of rule. In performing their duties, judges shall be independent and shall not be subject to any authority but the law and their own conscience.

**Article 95**

The Union shall have a Union Supreme Court and Union Primary Tribunals as explained hereinafter.

**Article 96**

The Union Supreme Court shall consist of a President and a number of judges, not exceeding five in all, who shall be appointed by decree, issued by the President of the Union after approval by the Supreme Council. The law shall prescribe the number of the chambers in the Court, their order and procedures, conditions of service and retirement for its members and the preconditions and qualifications required of them.

**Article 97**

The President and the Judges of the Union Supreme Court shall not be removed while they administer justice. Their tenure of office shall not be terminated except for one of the following reasons: -

1. Death.
2. Resignation.
3. Expiration of term of contract for those who are appointed by fixed term contract or completion of term of secondment.
4. Reaching retirement age.
5. Permanent incapacity to carry the burdens of their duties by reasons of ill health.
6. Disciplinary discharge on the basis of the reasons and proceedings stipulated in the law.
7. Appointment to other offices with their consent.

**Article 98**

The President and the Judges of the Union Supreme Court shall, before holding office, swear an oath before the President of the Union and in the presence of the Union Minister of Justice, that they will render justice without fear or favour and that they will be loyal to the Constitution and the laws of the Union.

**Article 99**

The Union Supreme Court shall have jurisdiction in the following matters: -

1. Various disputes between member Emirates in the Union, or between any one Emirate or more and the Union Government, whenever such disputes are submitted to the Court on the request of any of the interested parties.
2. Examination of the constitutionality of Union laws, if they are challenged by one or more of the Emirates on the grounds of violating the Constitution of the Union. Examination of the constitutionality of legislations promulgated by one of the Emirates, if they are challenged by one of the Union authorities on the grounds of violation of the Constitution of the Union or of Union laws.
3. Examination of the constitutionality of laws, legislations and regulations in general, if such request is referred to it by any Court in the country during a pending case before it. The aforesaid Court shall be bound to accept the ruling of the Union Supreme Court rendered in this connection.
4. Interpretation of the provisions of the Constitution, when so requested by any Union authority or by the Government of any Emirate. Any such interpretation shall be considered binding on all.
5. Trial of Ministers and senior officials of the Union appointed by decree regarding their actions in carrying out their official duties on the demand of the Supreme Council and in accordance with the relevant law.
6. Crimes directly affecting the interests of the Union, such as crimes relating to its internal or external security, forgery of the official records or seals of any of the Union authorities and counterfeiting of currency.
7. Conflict of jurisdiction between the Union judicial authorities and the local judicial authorities in the Emirates.
8. Conflict of jurisdiction between the judicial authority in one Emirate and the judicial authority in another Emirate. The rules relating thereof shall be regulated by a Union Law.

9. Any other jurisdiction stipulated in this Constitution, or which may be assigned to it by a Union law.

#### **Article 100**

The Union Supreme Court shall hold its sittings in the capital of the Union. It may, exceptionally, assemble when necessary in the capital of any one of the Emirates.

#### **Article 101**

The judgements of the Union Supreme Court shall be final and binding upon all.

If the Court, in ruling on the constitutionality of laws, legislations and regulations, decides that a Union legislation is inconsistent with the Union Constitution, or that local legislations or regulations under consideration contain provisions which are inconsistent with the Union Constitution or with a Union law, the authority concerned in the Union or in the Emirate, accordingly, shall be obliged to hasten to take the necessary measures to remove or rectify the constitutional inconsistency.

#### **Article 102**

The Union shall have one or more Union Primary Tribunals which shall sit in the permanent capital of the Union or in the capitals of some of the Emirates, in order to exercise the judicial powers within the sphere of their jurisdiction in the following cases :-

1. Civil, commercial and administrative disputes between the Union and individuals whether the Union is plaintiff or defendant.
2. Crimes committed within the boundaries of the permanent capital of the Union, with the exception of such matters as are reserved for the Union Supreme Court under Article 99 of this Constitution.
3. Personal status cases, civil and commercial cases and other cases between individuals which shall arise in the permanent capital of the Union.

#### **Article 103**

The law shall regulate all matters connected with the Union Primary Tribunals in respect of their organisation, formation, and chambers. Local jurisdiction, procedures to be followed before them, the oath to be sworn by their judges, conditions of service relating to them and the ways of appeal against their judgements. The law may stipulate that appeals against the judgements of these Tribunals shall be heard before one of the chambers of the Union Supreme Court, in the cases and according to the procedures prescribed therein.

#### **Article 104**

The local judicial authorities in each Emirate shall have jurisdiction in all judicial matters not assigned to the Union judicature in accordance with this Constitution.

#### **Article 105**

All or part of the jurisdiction assigned to the local judicial authorities in accordance with the preceding Article may be transferred by a Union law issued at the request of the Emirate concerned, to the Primary Union Tribunals. Circumstances, in which appeals against judgments by the local judicial authorities in penal, civil, commercial and other litigations may be referred

to the Union Tribunals, shall be defined by a Union law provided that its decision in such appeals shall be final.

#### **Article 106**

The Union shall have a Public Prosecutor who shall be appointed by a Union decree issued with the approval of the Council of Ministers, assisted by a number of members of the Public Prosecutor's office. The law shall regulate matters relating to the members of the Union Public Prosecutor's Office with respect to their method of appointment, ranks, promotion, retirement and the qualifications required of them. Besides, the Union Law of Criminal Procedure and trials shall regulate the power of this body and its procedures and the competence of its assistants from the police and the public security officers.

#### **Article 107**

The President of the Union may grant pardon from the execution of any sentence passed by a Union judiciary before it is carried out or while it is being served or he may commute such sentence, on the basis of the recommendation of the Union Minister of Justice, after obtaining the approval of a committee formed under the chairmanship of the Minister and consisting of six members selected by the Union Council of Ministers for a term of three years which may be renewed. The members of the committee shall be chosen from citizens of good repute and capability. Membership of the committee shall be gratis. Its deliberations shall be secret. Its decisions shall be issued by a majority vote.

#### **Article 108**

No sentence of death imposed finally by a Union judicial authority shall be carried out until the President of the Union has confirmed the sentence. He may substitute it by an attenuate sentence in accordance with the procedure stipulated in the preceding Article.

#### **Article 109**

There shall be no general amnesty for a crime or for specified crimes except by law. The promulgation of the law of amnesty shall consider such crimes being deemed non avenue, and shall remit the execution of the sentence or the remaining part of it.

### **PART FIVE: UNION LEGISLATIONS AND DECREES AND THE AUTHORITIES HAVING JURISDICTION THEREIN**

#### Chapter 1 UNION LAWS

#### **Article 110**

1. Union laws shall be promulgated in accordance with the provisions of this Article and other appropriate provisions of the Constitution.
2. A draft law shall become a law after the adoption of the following procedure :-
  - a. The Council of Ministers shall prepare a bill and submit it to the Union National Assembly.
  - b. The Council of Ministers shall submit the bill to the president of the Union for his approval and presentation to the Supreme Council for ratification.
  - c. The President of the Union shall sign the bill after ratification by the Supreme Council and

shall promulgate it.

3.

a. If the Union National Assembly inserts any amendment to the bill and this amendment is not acceptable to the President of the Union or the Supreme Council, or if the Union National Assembly rejects the bill, the President of the Union or the Supreme Council may refer it back to the National Assembly. If the Union National Assembly introduces an amendment on that occasion which is not acceptable to the President of the Union or the Supreme Council, or if the Union National Assembly decides to reject the bill, the President of the Union may promulgate the law after ratification by the Supreme Council.

b. The term "bill" in this clause shall mean the draft which is submitted to the President of the Union by the Council of Ministers including the amendments, if any, made to it by the Union National Assembly.

4. Notwithstanding the foregoing, if the situation requires the promulgation of Union laws when the National Assembly is not in session, the Council of Ministers of the Union may issue them through the Supreme Council and the President of the Union, provided that the Union Assembly is notified at its next meeting.

### **Article 111**

Laws shall be published in the Official Gazette of the Union within a maximum of two weeks from the date of their signature and promulgation by the President of the Union after the Supreme Council has ratified them. Such laws shall become in force one month after the date of their publication in the said Gazette, unless another date is specified in the said law.

### **Article 112**

No laws may be applied except on what occurs as from the date they become in force and no retroactive effect shall result in such laws. The law may, however, stipulate the contrary in matters other than criminal, if necessity so requires.

## **Chapter 11**

### **LAWS ISSUED BY DECREES**

### **Article 113**

Should necessity arise for urgent promulgation of Union laws between sessions of the Supreme Council, the President of the Union together with the Council of Ministers may promulgate the necessary laws in the form of decrees which shall have the force of law, provided that they are not inconsistent with the Constitution.

Such decree-laws must be referred to the Supreme Council within a week at the maximum for assent or rejection. If they are approved, they shall have the force of law and the Union National Assembly shall be notified at its next meeting.

However, if the Supreme Council does not approve them, they shall cease to have the force of law unless that it has decided to sanction their effectiveness during the preceding period, or to settle in some other way the effects arising therefrom.

## **Chapter 12**

## ORDINARY DECREES

### **Article 114**

No decree may be issued unless the Council of Ministers has confirmed it and the President of the Union or the Supreme Council, according to their powers, has ratified it. Decrees shall be published in the Official Gazette after signature by the President of the Union.

### **Article 115**

While the Supreme Council is out of session and if necessity arises, it may authorise the President of the Union and the Council of Ministers collectively to promulgate decrees whose ratification is within the power of the Supreme Council, provided that such authority shall not include ratification of international agreements and treaties or declaration or remission of martial law or declaration of a defensive war or appointment of the President or Judges of the Union Supreme Court.

## **PART SIX: THE EMIRATES**

### **Article 116**

The Emirates shall exercise all powers not assigned to the Union by this Constitution. The Emirates shall all participate in the establishment of the Union and shall benefit from its existence, services and protection.

### **Article 117**

The exercise of rule in each Emirate shall aim in particular at the maintenance of security and order within its territories, the provision of public utilities for its inhabitants and the raising of social and economic standards.

### **Article 118**

The member Emirates of the Union shall all work for the co-ordination of their legislations in various fields with the intention of unifying such legislations as far as possible. Two or more Emirates may, after obtaining the approval of the Supreme Council, agglomerate in a political or administrative unit, or unify all or part of their public services or establish a single or joint administration to run any such service.

### **Article 119**

Union law shall regulate with utmost ease matters pertaining to the execution of judgements, requests for commissions of rogation, serving legal documents and surrender of fugitives between member Emirates of the Union.

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## **PART SEVEN: DISTRIBUTION OF LEGISLATIVE, EXECUTIVE AND INTERNATIONAL JURISDICTIONS BETWEEN THE UAE AND THE EMIRATES**

### **Article 120:**

The UAE has exclusive legislative and executive jurisdiction in the following matters:

1. Foreign affairs.
2. Defence and the federal armed forces.
3. Protection of the UAE's security against internal or external threats.
4. The matters pertaining to security, order, and government in the permanent capital city of the UAE.
5. The matters relating to federal officers and the federal judiciary.
6. The federal finance, taxes, duties and dues.
7. The federal public loans.
8. Post, telegram, telephone, and wireless services.
9. Paving, maintaining, and improving such roads as the Supreme Council may deem main roads, and regulating the traffic movement on those roads.
10. Air control and issuing licenses to aircrafts and pilots.
11. Education.
12. Public health and medical services.
13. Cash and currency.
14. Measures, standards and weights.
15. Electricity services.
16. The federal nationality, passports, residence and immigration.
17. The federal properties and all matters relating thereto.
18. The matters relating to census and statistics for federal purposes.
19. Federal mass communication.

**Article 121:**

Without prejudice to the provisions of the preceding Article, the UAE has exclusive legislative jurisdiction in the following matters:

- Labour relations and social security;
- Ownership of real properties and expropriation for the public interest;
- Extradition of criminals;
- Banks;
- All types of insurance;
- Protection of agricultural and animal wealth;
- Major legislation relating to the penal, civil, and commercial codes; company law, civil and criminal procedure codes;
- Protection of intellectual, technical and industrial property rights; copyright; and printing and publishing rights;

1. Article (121) was amended by Constitutional Amendment 1/2009. The previous text reads as follows: "Without prejudice to the provisions of the preceding Article, the UAE has exclusive legislative jurisdiction in the following matters:

- Labour relations and social security;
- Ownership of real properties and expropriation for public interest;
- Extradition of criminals;
- Banks;
- All types of insurance;
- Protection of agricultural and animal wealth;
- Major legislation relating to the penal, civil, and commercial codes; company law, civil and criminal procedure codes;



- Protection of intellectual, technical and industrial property rights; copyright; and printing and publishing rights;
- Importation of arms and ammunitions except for use by the armed forces or the security forces of any Emirate;
- Other aviation matters that do not lie within the federal executive jurisdiction; and
- Delimitation of the territorial waters and regulation of navigation in the high seas.
- Importation of arms and ammunitions except for use by the security forces of any Emirate;
- Other aviation matters that do not lie within the federal executive jurisdiction;
- Delimitation of the territorial waters and regulation of navigation in the high seas; and
- Regulation of the free financial zones, the manner in which they are established, and how far they are excluded from scope of application of the federal legislative provisions

**Article 122:**

The Emirates shall have jurisdiction in all the matters not conferred exclusively upon the federal authorities as provided in the two preceding articles.

**Article 123:**

By way of exception from Article 120, paragraph (1), which provides that the UAE has exclusive jurisdiction in the matters of foreign policy and international relations, a member Emirate of the UAE may conclude limited conventions of a local and administrative nature with the neighbouring countries provided that such conventions must not be in conflict with the interests of the UAE or the federal laws and that the Federal Supreme Council be so notified in advance. If the Supreme Council objects to the conclusion of these conventions, the matter must be put on hold until the Federal Court decides as quickly as possible on that objection. An Emirate may retain its membership in, or join, the OPEC organisation and the Organisation of Arab Petroleum Exporting Countries.

**Article 124:**

Before the conclusion of any international treaty or convention, which may affect the status of an Emirate, the competent federal authorities shall consult with that Emirate in advance. In case of disagreement, the matter is submitted to the Federal Supreme Court to rule on such dispute.

**Article 125:**

The Governments of the Emirates shall take the appropriate measures to implement the federal laws and the international treaties and conventions concluded by the UAE including the enactment of the local laws, regulations, decisions and orders necessary for such implementation. The federal authorities may supervise the implementation by the Emirates' governments of the federal laws and decisions, the international treaties and conventions, and the federal court judgments. The competent administrative and judicial authorities in the Emirates shall provide to the federal authorities all possible assistance in this connection.

## **PART EIGHT: FINANCIAL AFFAIRS OF THE UNION**

**Article 126**

The general revenues of the Union shall consist of the income from the following resources:

1. Taxes, fees and duties imposed under a Union law in matters within the legislative and

executive jurisdiction of the Union.

2. Fees and rates received by the Union in return for services provided.
3. Contribution made by member Emirates of the Union in the Annual Budget of the Union in accordance with the article herein coming after.
4. Union income from its own properties.

#### **Article 127**

The member Emirates of the Union shall contribute a specified proportion of their annual revenues to cover the annual general budget expenditure of the Union, in the manner and on the scale to be prescribed in the Budget Law.

#### **Article 128**

The law shall prescribe the method of preparing the general budget of the Union and the final accounts. The law shall also define the beginning of the financial year.

#### **Article 129**

The draft annual budget of the Union, comprising estimates of revenues and expenditure, shall be referred to the Union National Assembly at least two months before the beginning of the financial year, for discussion and submission of comments thereon, before the draft budget is submitted to the Supreme Council of the Union, together with those comments, for assent.

#### **Article 130**

The annual general budget shall be issued by a law. In all cases, where the budget law has not been promulgated before the beginning of the Financial year. Temporary monthly funds may be made by Union decree on the basis of one twelfth of the funds of the previous financial year. Revenues shall be collected and expenditure disbursed in accordance with the laws in force at the end of the preceding financial year.

#### **Article 131**

All expenditure not provided for in the budget, all expenditure in excess of the budget estimates and all transfers of sums from one part to another of the Budget must be covered by a law. Notwithstanding the foregoing, in cases of extreme urgency, such expenditure or transfer may be arranged by decree-law in conformity with the provisions of Article 113 of this Constitution.

#### **Article 132**

The Union shall allocate in its annual budget a sum from its revenue to be expended on building, and construction projects, internal security and social affairs according to the urgent needs of some of the Emirates.

The execution of these projects and the disbursement thereon shall be drawn from these funds. Accomplished by means of and under the supervision of the competent Union bodies with the agreement of authorities of the Emirates concerned. The Union may establish a special fund for this purpose.

#### **Article 133**

No Union tax may be imposed, amended or abolished except by virtue of law. No person may be exempted from payment of such taxes except in the cases specified by law.

Union taxes, duties and fees may not be levied on any person except within the limits of the law and in accordance with its provisions.

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#### **Article 134**

No public loan may be contracted except by a Union law. No commitment involving the payment of sums from Union Exchequer in a future year or years may be concluded except by means of a Union law.

#### **Article 135**

The final accounts of the financial administration of the Union for the completed financial year shall be referred to the Union National Assembly within the four months following the end of the said year, for its comments thereon, before their submission to the Supreme Council for approval, in the light of the Auditor-General's report.

#### **Article 136**

An independent Union department headed by an Auditor-General who shall be appointed by decree, shall be established to audit the accounts of the Union and its organs and agencies, and to audit any other accounts assigned to the said department for that purpose in accordance with the law. The law shall regulate this department and shall define its jurisdiction and the competence of those working therein, and the guarantees to be given to it, its head and the employees working in it in order that they may carry out their duties in the most efficient manner.

### **PART NINE: ARMED FORCES AND SECURITY FORCES**

#### **Article 137**

Every attack upon any member Emirates of the Union shall be considered an attack upon all the Emirates and upon the existence of the Union itself, which all Union and local forces will co-operate to repel by all means possible.

#### **Article 138**

The Union shall have army, navy and air forces with unified training and command. The Commander in Chief of these forces and the Chief of the General Staff shall be appointed and dismissed by means of a Union decree. The Union may have A Union Security Forces. The Union Council of Ministers shall be responsible directly to the President of the Union and the Supreme Council of the Union for the affairs of all these forces.

#### **Article 139**

The law shall regulate military service, general or partial mobilisation, the rights and duties of members of the Armed Forces, their disciplinary procedures and similarly the special regulations of the Union Security Forces.

#### **Article 140**

The declaration of defensive war shall be declared by a Union decree issued by the President of the Union after its approval by the Supreme Council. Offensive war shall be prohibited in accordance with the provisions of international charters.

Council of Ministers of the Union, the Ministers of Foreign Affairs, Defence, Finance, Interior, the Commander in Chief and the Chief of the General Staff. It shall advise and offer views on all matters pertaining to defence maintenance of the peace and security of the Union. Forming of the armed forces, their equipment and development and the determination of their posts and camps. The Council may invite any military adviser or expert or other persons it wishes to attend its meetings but they shall have no decisive say in its deliberations. All matters pertaining to this Council shall be regulated by means of a law.

#### **Article 141**

A Supreme Defence Council shall be set up under the chairmanship of the President of the Union. Among its members shall be the Vice President of the Union, the Chairman of the Council of Ministers of the Union, the Ministers of Foreign Affairs, Defence, Finance, Interior, the Commander in Chief and the Chief of the General Staff. It shall advise and offer views on all matters pertaining to defence maintenance of the peace and security of the Union. Forming of the armed forces, their equipment and development and the determination of their posts and camps. The Council may invite any military adviser or expert or other persons it wishes to attend its meetings but they shall have no decisive say in its deliberations. All matters pertaining to this Council shall be regulated by means of a law.

#### **Article 142**

The member Emirates shall have the right to set up local security forces ready and equipped to join the defensive machinery of the Union to defend, if need arises, the Union against any external aggression.

#### **Article 143**

Any Emirate shall have the right to request the assistance of the Armed Forces or the Security Forces of the Union in order to maintain security and order within its territories whenever it is exposed to danger. Such a request shall be submitted immediately to the Supreme Council of the Union for decision.

The Supreme Council may call upon the aid of the local armed forces belonging to any Emirate for this purpose provided that the Emirate requesting assistance and the Emirate to whom the forces belong agree.

The President of the Union and the Council of Ministers of the Union collectively, may, if the Supreme Council is not in session, take any immediate measure which cannot be delayed and considered necessary and may call the Supreme Council into immediate session.

### **PART TEN: FINAL AND TRANSITIONAL PROVISIONS**

#### **Article 144**

1. Subject to the provisions of the following paragraphs, the provisions of this Constitution shall apply for a transitional period of five Gregorian years beginning from the date of its entry into force in accordance with provisions of Article 152.

2.

a. If the Supreme Council considers that the topmost interests of the Union require the amendment of this Constitution, it shall submit a draft constitutional amendment to the Union National Assembly.

b. The procedure for approving the constitutional amendment shall be the same as the procedure for approving laws.

c. The approval of the Union National Assembly for a draft constitutional amendment shall require the agreement of two-thirds of the votes of members present. The President of the Union shall sign the constitutional amendment in the name of the Supreme Council and as its representative and shall promulgate the amendment.

3. During the transitional period, the Supreme Council shall adopt the necessary measures to prepare a draft permanent Constitution to take the place of this temporary constitution. It shall submit the draft permanent Constitution to the Union National Assembly for debate before promulgating it.

4. The Supreme Council shall call the Union National Assembly into extraordinary session at a time not more than six months before the end of the period of validity of this temporary Constitution. The permanent Constitution shall be presented at this session. It shall be promulgated according to the procedure laid down in paragraph 2 of this Article.

#### **Article 145**

Under no circumstances, may any of the provisions of this Constitution be suspended, except when Martial Law is in force and within the limits specified by this law.

Notwithstanding the foregoing, sessions of the National Assembly of the Union may not be suspended during that period nor may the immunity of its members be violated.

#### **Article 146**

In case of necessity defined by law, Martial law shall be declared by a decree promulgated with the approval of the Supreme Council on the basis of a proposal made by the President of the Union with the consent of the Council of Ministers of the Union. Such decree shall be notified to the Union National Assembly at its next meeting.

Martial law shall be similarly lifted by decree issued with the approval of the Supreme Council when the need, for which it was imposed, no longer exists.

#### **Article 147**

Nothing in the application of this Constitution shall affect treaties or agreements concluded by member Emirates with states or international organisations unless such treaties or agreements are amended or abrogated by agreement between the parties concerned.

#### **Article 148**

All matters established by laws, regulations, decrees, orders and decisions in the various member Emirates of the Union in effect upon the coming into force of this Constitution, shall continue to be applicable unless amended or replaced in accordance with the provisions of this Constitution. Similarly, the measures and organisations existing in the member Emirates shall continue to be effective until the promulgation of laws amending them in accordance with the provisions of the Constitution.

#### **Article 149**

As an exception to the provisions of Article 121 of this Constitution, the Emirates may promulgate legislations necessary for the regulation of the matters set out in the said Article without violation of the provisions of Article 151 of this Constitution.

**Article 150**

The Union authorities shall strive to issue the laws referred to in this Constitution as quickly as possible so as to replace the existing legislations and systems, particularly those which are not consistent with the provisions of the Constitution.

**Article 151**

The provisions of this Constitution shall prevail over the Constitutions of the member Emirates of the Union and the Union laws which are issued in accordance with the provisions of this Constitution shall have priority over the legislations, regulations and decisions issued by the authorities of the Emirates.

In case of conflict, that part of the inferior legislation which is inconsistent with the superior legislation shall be rendered null and void to the extent that removes the inconsistency. In case of dispute, the matter shall be referred to the Union Supreme Court for its ruling.

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